

**AUDITED FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTAL INFORMATION
OTHER FINANCIAL INFORMATION
AND SUPPLEMENTAL REPORTS**

GOGEBIC COUNTY, MICHIGAN

December 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Gogebic County, Michigan	County Gogebic
Audit Date 12/31/04	Opinion Date 6/17/05	Date Accountant Report Submitted to State: 6/30/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) Joki, Makela & Pollack, PLLC			
Street Address 301 N Suffolk St	City Ironwood	State MI	ZIP 49938
Accountant Signature <i>Dean Beaudoin CPA</i>		Date 6/30/05	

CONTENTS

Audited Financial Statements:	
Independent Auditor's Report	Page 4
Management's Discussion and Analysis	6
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	16
Statement of Activities	18
Fund Financial Statements:	
Combined Balance Sheet – Governmental Funds	20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	21
Combined Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds with the Statement of Activities	23
Proprietary Funds:	
Combined Statement of Net Assets	24
Combined Statement of Revenues, Expenses and Changes in Net Assets	26
Combined Statement of Cash Flows	27
Combined Statement of Fiduciary Net Assets – Fiduciary Funds	29
Statement of Changes in Fiduciary Net Assets – Pension Trust Fund	30
Component Units:	
Combined Statement of Net Assets	31
Combined Statement of Activities	33
Notes to Financial Statements	35
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	76
Other Financial Information:	
Combining Balance Sheet – Governmental Funds	78
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	79

CONTENTS (CONTINUED)

Other Financial Information (Continued):	
General Fund:	
Balance Sheet	80
Statement of Revenues - Estimated and Actual	81
Statement of Appropriations and Expenditures	83
Special Revenue Funds:	
Combining Balance Sheet	86
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	90
Debt Service Funds:	
Combining Balance Sheet	94
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	95
Enterprise Funds:	
Combining Statement of Net Assets	96
Combining Statement of Revenues, Expenses and Changes in Net Assets	98
Combining Statement of Cash Flows	99
Internal Service Funds:	
Combining Statement of Net Assets	101
Combining Statement of Revenues, Expenses and Changes in Net Assets	102
Combining Statement of Cash Flows	103
Fiduciary Funds:	
Combining Balance Sheet - Agency Funds	104
Combining Statement of Changes in Assets and Liabilities - Agency Funds	105
Statement of Plan Net Assets - Pension Trust Fund	107
Schedule of Expenditures of Federal Awards	108
Notes to Schedule of Expenditures of Federal Awards	110
Schedule of Airport Passenger Facility Charges Collected and Expended	111
Supplemental Reports:	
Report on Compliance and on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	A-1
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	B-1
Schedule of Findings and Questioned Costs	B-3
Summary Schedule of Prior Audit Findings	B-5

JOKI, MAKELA & POLLACK, P.L.L.C.

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners
Gogebic County, Michigan
Bessemer, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Gogebic County, Michigan as of and for the year ended December 31, 2004, which collectively comprise the basic financial statements of Gogebic County, Michigan, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Gogebic County, Michigan as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable; thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 17, 2005, on our consideration of Gogebic County, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance

with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 14 and page 76 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gogebic County, Michigan's basic financial statements. The accompanying Other Financial Information and the Schedule of Airport Passenger Facility Charges Collected and Expended as required by the Federal Aviation Administration of the U.S. Department of Transportation to implement Sections 9110 and 9111 of the Aviation Safety and Capacity Expansion Act of 1990 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Gogebic County, Michigan. The Other Financial Information and the Schedule of Airport Passenger Facility Charges Collected and Expended and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Joki, Makela & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
June 17, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2004

Management's Discussion and Analysis

This section of the Gogebic County, Michigan's (County) annual financial report presents our discussion and analysis of the County's financial performance during the year ended December 31, 2004. It is to be read in conjunction with the County's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments* and is intended to provide the financial results for the fiscal year ending December 31, 2004.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the County as a whole. The statements are prepared using the accrual method of accounting which is the accounting method used by most private sector businesses. The statement of net assets includes all of the County's assets and liabilities except the fiduciary funds. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental and business-type activities and component units of the County that include all services performed by the County. These activities are funded primarily by property taxes, charges for services and by federal and state grants.

The statement of net assets shows the County's assets and liabilities. The corresponding balance between the assets and liabilities equals the net assets or deficit of the County. A deficit occurs when there are more liabilities than there are assets to pay those liabilities. This statement measures the financial strength of the County; the greater the net asset figure, the healthier the financial position of the County generally is. It helps management determine if the County will be able to fund current obligations and whether they have resources available for future use.

The statement of activities shows the current year change in net assets on a revenue less expenditure basis. It generally shows the operating results for a given year of the County. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the County.

Fund Financial Statements

The County's fund financial statements show detail of funds that are determined to be significant, called major funds. The funds that are separately stated as major funds are the General Fund, Medical Care Facility and Airport Funds. All other funds are considered nonmajor and are reported as one column.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fund Financial Statements (Continued)

Governmental funds are reported in the fund financial statements and contain nearly the same functions reported as governmental activities in the government-wide financial statements. However, the fund statements provide a different view of the County's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Proprietary funds are reported in the fund financial statements and generally report services for which the County charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. Enterprise funds basically include the same functions reported as business-type activities in government-wide financial statements. Internal service funds are used to account for monies advanced by the County to pay the County and other local taxing units for their delinquent real property taxes. Because the County's internal service funds primarily serve governmental functions, they are included within the governmental activities of the government-wide financial statements.

Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail for major enterprise funds. Individual fund information for internal service funds and non-major enterprise funds is found in combining statements in a later section of this report.

Fiduciary funds such as the employee pension plans are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund County programs. Fiduciary fund financial statements report similarly to proprietary funds.

Government-wide Financial Statements – Condensed Financial Information

Statement of Net Assets

The following are condensed statements of net assets with a detailed analysis of the statements below.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Net Assets (Continued)

	December 31, 2004			
	<u>Primary Government</u>			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Units</u>
ASSETS				
Current Assets:				
Cash and investments	\$ 1,024,740	\$ 3,236,421	\$ 4,261,161	\$ 1,679,900
Accounts receivable	2,920,192	1,131,247	4,051,439	1,082,125
Other current assets	<u>5,000</u>	<u>143,652</u>	<u>148,652</u>	<u>813,515</u>
Total Current Assets	\$ 3,949,932	\$ 4,511,320	\$ 8,461,252	\$ 3,575,540
Noncurrent Assets:				
Other assets - cash		\$ 234,122	\$ 234,122	\$ 282,025
Noncurrent receivable	\$ 495,000		495,000	
Capital assets, net of accumulated depreciation	<u>1,464,167</u>	<u>6,116,562</u>	<u>7,580,729</u>	<u>7,778,112</u>
Total Noncurrent Assets	\$ 1,959,167	\$ 6,350,684	\$ 8,309,851	\$ 8,060,137
Total Assets	\$ 5,909,099	\$ 10,862,004	\$ 16,771,103	\$ 11,635,677
LIABILITIES				
Accounts payable	\$ 170,986	\$ 169,570	\$ 340,556	\$ 572,544
Accrued payroll and related fringe benefits	2,411	158,910	161,321	303,208
Deferred revenues	2,722,737		2,722,737	460,258
Other current liabilities	<u>2,966</u>		<u>2,966</u>	<u>349,734</u>
Total Current Liabilities	\$ 2,899,100	\$ 328,480	\$ 3,227,580	\$ 1,685,744
Long-term liabilities	<u>681,962</u>	<u>471,795</u>	<u>1,153,757</u>	<u>2,282,515</u>
Total Liabilities	\$ 3,581,062	\$ 800,275	\$ 4,381,337	\$ 3,968,259
NET ASSETS				
Investment in capital assets, net of related debt	\$ 1,464,167	\$ 6,054,398	\$ 7,518,565	\$ 6,100,874
Restricted	49,822	56,048	105,870	55,021
Unrestricted	<u>814,048</u>	<u>3,951,283</u>	<u>4,765,331</u>	<u>1,511,523</u>
Total Net Assets	\$ 2,328,037	\$ 10,061,729	\$ 12,389,766	\$ 7,667,418

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Net Assets (Continued)

	December 31, 2003			
	<u>Primary Government</u>			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Units</u>
ASSETS				
Current Assets:				
Cash and investments	\$ 881,174	\$ 3,504,908	\$ 4,386,082	\$ 1,853,753
Accounts receivable	2,863,295	1,302,593	4,165,888	1,947,602
Other current assets	<u>2,510</u>	<u>101,367</u>	<u>103,877</u>	<u>844,842</u>
Total Current Assets	\$ 3,746,979	\$ 4,908,868	\$ 8,655,847	\$ 4,646,197
Noncurrent Assets:				
Reserved cash		\$ 33,690	\$ 33,690	\$ 793,103
Noncurrent receivable	\$ 550,000		550,000	
Capital assets, net of accumulated depreciation	<u>1,384,965</u>	<u>5,886,941</u>	<u>7,271,906</u>	<u>6,182,224</u>
Total Noncurrent Assets	\$ 1,934,965	\$ 5,920,631	\$ 7,855,596	\$ 6,975,327
Total Assets	<u>\$ 5,681,944</u>	<u>\$ 10,829,499</u>	<u>\$ 16,511,443</u>	<u>\$ 11,621,524</u>
LIABILITIES				
Accounts payable	\$ 333,617	\$ 252,885	\$ 586,502	\$ 1,045,352
Accrued payroll and related fringe benefits	79,371	148,894	228,265	806,965
Deferred revenues	2,658,828		2,658,828	434,374
Other current liabilities	<u></u>	<u>76,680</u>	<u>76,680</u>	<u>490,460</u>
Total Current Liabilities	\$ 3,071,816	\$ 478,459	\$ 3,550,275	\$ 2,777,151
Long-term liabilities	<u>733,299</u>	<u>547,790</u>	<u>1,281,089</u>	<u>2,335,714</u>
Total Liabilities	<u>\$ 3,805,115</u>	<u>\$ 1,026,249</u>	<u>\$ 4,831,364</u>	<u>\$ 5,112,865</u>
NET ASSETS				
Investment in capital assets, net of related debt	\$ 1,384,965	\$ 5,810,400	\$ 7,195,365	\$ 4,467,224
Restricted	68,041	28,307	96,348	36,857
Unrestricted	<u>423,823</u>	<u>3,964,543</u>	<u>4,388,366</u>	<u>2,004,578</u>
Total Net Assets	<u>\$ 1,876,829</u>	<u>\$ 9,803,250</u>	<u>\$ 11,680,079</u>	<u>\$ 6,508,659</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Net Assets (Continued)

The County's net assets and component unit net assets are \$12,389,766 and \$7,667,418 at December 31, 2004, respectively. The County's net assets and component unit net assets are \$11,680,079 and \$6,508,659 at December 31, 2003, respectively. Capital assets, net of related debt are \$7,518,565 and \$6,100,874 at December 31, 2004, respectively. Capital assets, net of related debt are \$7,195,365 and \$4,467,224 at December 31, 2003, respectively. Capital assets, net of related debt, is derived by taking the original costs of the County's assets, subtracting accumulated depreciation to date and comparing this figure to the amount of long-term debt used to finance the acquisition of those assets. Component unit capital assets include infrastructure assets of \$4,296,063 at December 31, 2004 and \$2,933,307 at December 31, 2003.

Restricted net assets are restricted for maintenance of effort tax collections, long-term portion of notes receivable and for future road maintenance.

The unrestricted net assets are \$4,765,331 and \$1,511,523 as of December 31, 2004, respectively. The unrestricted net assets are \$4,388,366 and \$2,004,578 as of December 31, 2003, respectively. This is the net accumulated results of the current and past years' operations. The nature of the County's operations is based on property taxes, charges for services, state aid, federal grants and local funds received to fund various programs.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Activities

The results of operations for the County as a whole are reported in the statement of activities. This statement reports the changes in net assets for the fiscal year.

	<u>Year ended December 31, 2004</u>			
	<u>Primary Government</u>		<u>Total</u>	<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		
Revenue -				
Program Revenues:				
Charges for services	\$ 918,989	\$ 8,272,909	\$ 9,191,898	\$ 1,389,923
Operating grants and contributions	1,531,439	932,703	2,464,142	7,906,498
General Revenues:				
State aid	164,726		164,726	903,610
Property taxes	3,228,838	123,357	3,352,195	
Other	<u>769,040</u>	<u>(2,208)</u>	<u>766,832</u>	<u>4,717,656</u>
Total Revenue	\$ 6,613,032	\$ 9,326,761	\$ 15,939,793	\$ 14,917,687
Program expenses:				
Governmental activities	\$ 6,193,070		\$ 6,193,070	
Business-type activities		\$ 8,930,951	8,930,951	
Component unit				<u>\$ 13,758,928</u>
Total Program Expenses	\$ 6,193,070	\$ 8,930,951	\$ 15,124,021	\$ 13,758,928
Increase in Net Assets	<u>\$ 419,962</u>	<u>\$ 395,810</u>	<u>\$ 815,772</u>	<u>\$ 1,158,759</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Activities (Continued)

<u>Year ended December 31, 2003</u>				
	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Revenue -				
Program Revenues:				
Charges for services	\$ 872,369	\$ 7,966,927	\$ 8,839,296	\$ 1,346,886
Operating grants and contributions	1,607,259	377,442	1,984,701	9,082,752
General Revenues:				
State aid	303,852		303,852	1,143,795
Property taxes	2,673,908	125,284	2,799,192	
Other	<u>560,196</u>	<u>96,367</u>	<u>656,563</u>	<u>4,193,600</u>
Total Revenue	\$ 6,017,584	\$ 8,566,020	\$ 14,583,604	\$ 15,767,033
Program expenses:				
Governmental activities	\$ 6,132,704		\$ 6,132,704	
Business-type activities		\$ 8,987,388	8,987,388	
Component unit				<u>\$ 13,343,343</u>
Total Program Expenses	<u>\$ 6,132,704</u>	<u>\$ 8,987,388</u>	<u>\$ 15,120,092</u>	<u>\$ 13,343,343</u>
Increase (Decrease) in Net Assets	<u>\$ (115,120)</u>	<u>\$ (421,368)</u>	<u>\$ (536,488)</u>	<u>\$ 2,423,690</u>

The County had an overall increase in net assets of \$815,772 for the year ended December 31, 2004 and component units had an overall increase in net assets of \$1,158,759. The largest increase in the net assets for the governmental activities was due to an increase in net assets for the Revenue Sharing Reserve Fund of \$357,552. The largest increase in net assets for the business-type activities was due to an increase in net assets for Airport Capital Improvement Fund of \$514,901. The largest increase in component unit net assets was attributable to the County Road Commission. Starting January 1, 2003, the County Road Commission capitalizes infrastructure outlay instead of expensing these items. Operating grants and contributions continue to be recognized as program revenues.

The County had an overall decrease in net assets of \$536,488 for the year ended December 31, 2003 and component units had an overall increase in net assets of \$2,423,690. The largest decrease in the net assets for the business-type activities were due to reduction in net assets for the Medical Care Facility (\$180,605) and Airport Operating Fund (\$206,394). The largest increase in component unit net assets was attributable to the County Road Commission.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Activities (Continued)

The County's total revenues totaled \$15,939,793 and its component unit total revenues totaled \$14,917,687 for the year ended December 31, 2004. The County's total revenues totaled \$14,583,604 and its component unit total revenues totaled \$15,767,033 for the year ended December 31, 2003.

For the year ended December 31, 2004, the County's total cost to fund all governmental activities was \$6,193,070, business-type activities was \$8,930,951 and component units was \$13,758,928. A majority of these costs were funded by property taxes and state aid. This shows the County has reliance on property taxes and state aid to provide future funding for their programs and administrative costs.

Governmental Fund Budgetary Items

During the year, the County revised its original budget several times to account for the changing environment of funding sources, generally in the federal grant area. The most significant budget to actual variance was in the Special Revenue Funds budget for Capital Outlay. The budget was not amended to account for capital outlay at the County parks. A schedule showing the County's General Fund original budget, final budget and the actual results are included as required supplementary information in the financial section of the audit report.

Capital Assets

At December 31, 2004, the County had \$7,580,729 invested in capital assets net of depreciation and its Component units had \$7,778,112 invested. The County's net capital assets increased during the past fiscal year by \$308,823. Additions totaling \$954,722 were offset by depreciation charges of \$645,899. The component unit's capital assets increased during the year by \$1,595,888, consisting of additions totaling \$2,123,397, disposals of \$38,466 and depreciation charges of \$489,043.

Debt

The County had \$1,153,757 of long-term liabilities at December 31, 2004 and its component units had \$2,282,515. These amounts consist of a revenue bond payable, a note payable, accrued paid time off benefits payable to employees and a capital lease.

Future Considerations

The elimination of state revenue sharing payments in 2004 and budget cuts, increasing reliance of certain Special Revenue Funds on General Fund support and increasing health insurance costs will impact the financial condition of the County. The County has adopted a budget for the upcoming fiscal year that should not over expend its funding and should leave the County with a positive Fund Balance.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Contacting the County

If you have any questions about this report or need additional information, contact the County offices at Gogebic County, 200 N. Moore Street, Bessemer, MI 49911; telephone number (906) 663-4517.

BASIC
FINANCIAL
STATEMENTS

STATEMENT OF
GOGEBIC COUNTY,
December 31,

	Primary Government			Component
	Governmental	Business-Type	Total	Units
	Activities	Activities		
ASSETS				
Cash	\$ 1,024,740	\$ 3,083,105	\$ 4,107,845	\$ 570,115
Investments		153,316	153,316	1,109,785
Receivables (net, where applicable, of allowances for uncollectibles):				
Taxes	2,661,569	561,829	3,223,398	
Accounts		543,413	543,413	103,498
United States Government				
State of Michigan	155,691	3,136	158,827	931,220
Notes	46,236		46,236	97,407
Allowances for uncollectible accounts				(50,000)
Other	56,696	22,869	79,565	
Due from other funds	5,000	321	5,321	
Inventories		36,170	36,170	498,648
Deferred and prepaid expenses		107,161	107,161	314,867
Noncurrent receivable for general obligation indebtedness	495,000		495,000	
Capital assets:				
Land, buildings, equipment and infrastructure	3,996,441	16,067,173	20,063,614	14,232,445
Less: Accumulated depreciation	(2,532,274)	(10,062,157)	(12,594,431)	(6,454,333)
Construction in progress		111,546	111,546	
Other assets-cash		234,122	234,122	282,025
Total Assets	\$ 5,909,099	\$ 10,862,004	\$ 16,771,103	\$ 11,635,677

NET ASSETS

MICHIGAN

2004

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES				
Accounts payable	\$ 170,986	\$ 169,570	\$ 340,556	\$ 572,544
Salaries and wages and related liabilities	2,411	158,910	161,321	303,208
Advances from and amounts due State of Michigan				199,117
Interest payable				62,120
Deferred revenues	2,722,737		2,722,737	460,258
Other liabilities				88,497
Due to other funds	2,966		2,966	
Long-term debt:				
General obligation indebtedness	495,000		495,000	
Note payable to bank		62,164	62,164	57,238
Capital lease payable				1,620,000
Accumulated absences	<u>186,962</u>	<u>409,631</u>	<u>596,593</u>	<u>605,277</u>
Total Liabilities	<u>\$ 3,581,062</u>	<u>\$ 800,275</u>	<u>\$ 4,381,337</u>	<u>\$ 3,968,259</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 1,464,167	\$ 6,054,398	\$ 7,518,565	\$ 6,100,874
Restricted	49,822	56,048	105,870	55,021
Unrestricted	<u>814,048</u>	<u>3,951,283</u>	<u>4,765,331</u>	<u>1,511,523</u>
Net Assets	<u>\$ 2,328,037</u>	<u>\$ 10,061,729</u>	<u>\$ 12,389,766</u>	<u>\$ 7,667,418</u>

The accompanying notes are an integral part of the
financial statements.

STATEMENT
GOGEBIC COUNTY,
Year ended

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
Legislative	\$ 75,169			
Judicial	802,578	\$ 284,436	\$ 424,678	
General government	997,074	196,725	108,519	
Public safety	1,505,996	303,339	446,117	
Health and welfare	1,208,720	52,997	457,578	
Recreation and parks	78,930	81,492		
Other functions	1,355,581			
Interest on long-term debt	39,391		94,547	
Depreciation (unallocated)	129,631			
Total Governmental Activities	\$ 6,193,070	\$ 918,989	\$ 1,531,439	\$ 0
Business-type activities:				
Medical Care Facility	\$ 7,200,939	\$ 7,377,119		
Forestry and Parks Commission	327,732	427,843		
Fair Board	193,441	124,423	\$ 49,505	
Airport	703,869	298,460	12,708	\$ 610,447
Gogebic County Transit	504,970	45,064	203,731	56,312
Total Business-Type Activities	\$ 8,930,951	\$ 8,272,909	\$ 265,944	\$ 666,759
Total Primary Government	\$ 15,124,021	\$ 9,191,898	\$ 1,797,383	\$ 666,759
Component Units:				
Gogebic County Road Commission	\$ 5,447,681	\$ 898,114	\$ 3,730,515	\$ 1,984,073
Community Mental Health Authority	6,144,464	491,809	72,436	
Western U.P. Manpower Consortium	2,116,463		2,119,474	
Economic Development Corporation	50,320			
Total Component Units	\$ 13,758,928	\$ 1,389,923	\$ 5,922,425	\$ 1,984,073
General revenues:				
Taxes				
Licenses and permits				
Federal grants				
State revenue sharing				
State grants				
Medicaid not restricted				
Interest and rents				
Other revenues				
Transfers				
Total General Revenues and Transfers				
Change in Net Assets				
Net assets at January 1, 2004				
Net assets at December 31, 2004				

The accompanying notes are an integral part of the financial statements.

OF ACTIVITIES

MICHIGAN

December 31, 2004

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (75,169)		\$ (75,169)	
(93,464)		(93,464)	
(691,830)		(691,830)	
(756,540)		(756,540)	
(698,145)		(698,145)	
2,562		2,562	
(1,355,581)		(1,355,581)	
55,156		55,156	
(129,631)		(129,631)	
\$ (3,742,642)	\$ 0	\$ (3,742,642)	\$ 0
	\$ 176,180	\$ 176,180	
	100,111	100,111	
	(19,513)	(19,513)	
	217,746	217,746	
	(199,863)	(199,863)	
	\$ 274,661	\$ 274,661	
\$ (3,742,642)	\$ 274,661	\$ (3,467,981)	\$ 0
			\$ 1,165,021
			(5,580,219)
			3,011
			(50,320)
\$ 0	\$ 0	\$ 0	\$ (4,462,507)
\$ 3,228,838	\$ 123,357	\$ 3,352,195	
26,745		26,745	
299,587		299,587	
164,726		164,726	
			\$ 903,610
			4,467,226
74,823	2,644	77,467	43,585
52,135		52,135	144,595
315,750	(4,852)	310,898	62,250
\$ 4,162,604	\$ 121,149	\$ 4,283,753	\$ 5,621,266
\$ 419,962	\$ 395,810	\$ 815,772	\$ 1,158,759
1,876,829	6,688,790	8,565,619	6,508,659
\$ 2,296,791	\$ 7,084,600	\$ 9,381,391	\$ 7,667,418

COMBINED BALANCE SHEET - GOVERNMENTAL FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2004

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 213,144	\$ 811,596	\$ 1,024,740
Receivables (net, where applicable, of allowances for uncollectibles):			
Taxes	2,661,569		2,661,569
State of Michigan	83,869	71,822	155,691
Notes		46,236	46,236
Other	37,209	19,487	56,696
Due from other funds		<u>5,000</u>	<u>5,000</u>
	<u>\$ 2,995,791</u>	<u>\$ 954,141</u>	<u>\$ 3,949,932</u>
LIABILITIES AND COUNTY EQUITY			
Accounts payable	\$ 79,582	\$ 91,404	\$ 170,986
Salaries and wages and related liabilities	2,411		2,411
Deferred revenues	2,676,501	46,236	2,722,737
Due to other funds	<u>2,966</u>		<u>2,966</u>
Total Liabilities	<u>\$ 2,761,460</u>	<u>\$ 137,640</u>	<u>\$ 2,899,100</u>
County equity:			
Fund balance:			
Reserved	\$ 46,485	\$ 3,337	\$ 49,822
Unreserved	<u>187,846</u>	<u>813,164</u>	<u>1,001,010</u>
Total County Equity	<u>\$ 234,331</u>	<u>\$ 816,501</u>	<u>\$ 1,050,832</u>

The accompanying notes are an integral part of the
financial statements.

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

GOGEBIC COUNTY, MICHIGAN

December 31, 2004

Fund balances - total governmental funds

Amounts reported for governmental activities in the statement of net assets \$ 1,050,832
are different because:

Capital assets used in governmental activities are not financial resources and
therefore, are not reported in the governmental funds.

Governmental capital assets	\$ 3,996,441	
Less accumulated depreciation	<u>(2,532,274)</u>	1,464,167

Other long-term assets (receivables) are not available to pay current-
period expenditures and, therefore, are deferred in the funds. 495,000

Long-term liabilities are not due and payable in the current period and
therefore are not reported as liabilities in the funds.

Accumulated absences	\$ (186,962)	
General obligation indebtedness	<u>(495,000)</u>	<u>(681,962)</u>

Net assets of governmental activities \$ 2,328,037

The accompanying notes are an integral part of the
financial statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2004

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 2,564,661	\$ 664,177	\$ 3,228,838
Licenses and permits	26,745		26,745
Federal grants	453,177	76,159	529,336
State grants	820,483	323,990	1,144,473
Contributions from local units	90,845	116,991	207,836
Charges for services	718,823	167,336	886,159
Fines and forfeits	32,830		32,830
Interest and rents	74,685	138	74,823
Other revenues	<u>52,135</u>	<u>114,107</u>	<u>166,242</u>
Total Revenues	\$ 4,834,384	\$ 1,462,898	\$ 6,297,282
Expenditures:			
Current expenditures:			
Legislative	\$ 75,169		\$ 75,169
Judicial	792,630	\$ 9,948	802,578
General government	997,074		997,074
Public safety	1,415,281	90,715	1,505,996
Health and welfare	398,253	810,467	1,208,720
Recreation and culture		78,930	78,930
Other functions	1,351,918		1,351,918
Capital outlay	52,475	70,112	122,587
Debt service	<u></u>	<u>94,391</u>	<u>94,391</u>
Total Expenditures	\$ 5,082,800	\$ 1,154,563	\$ 6,237,363
Excess (Deficiency) of Revenues Over Expenditures	\$ (248,416)	\$ 308,335	\$ 59,919
Other financing sources -			
Operating transfers in	<u>70,975</u>	<u>244,775</u>	<u>315,750</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ (177,441)	\$ 553,110	\$ 375,669
Fund balance at January 1, 2004	<u>411,772</u>	<u>263,391</u>	<u>675,163</u>
FUND BALANCE AT DECEMBER 31, 2004	\$ <u>234,331</u>	\$ <u>816,501</u>	\$ <u>1,050,832</u>

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS WITH THE STATEMENT OF ACTIVITIES

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2004

Net change in fund balance - total governmental funds		\$	375,669
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives :			
Expenditures for capital assets	\$	122,587	
Less current year depreciation		<u>(129,631)</u>	(7,044)
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.			55,000
Compensated absences not payable from current year resources are not reported as expenditures of the current year. In the Statement of Activities, those costs represent expenses of the current year.			<u>(3,663)</u>
Change in net assets of governmental funds		\$	<u>419,962</u>

The accompanying notes are an integral part of the
financial statements.

COMBINED STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2004

	Medical Care Facility	Operating	Airport Capital Improvement	Total	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS							
Current Assets:							
Cash (overdraft)	\$ 228,252	\$ (10,304)	\$ 100,550	\$ 90,246	\$ 347,724	\$ 666,222	\$ 2,416,883
Temporary investments					153,316	153,316	
Patient accounts receivable	553,413					553,413	
Less allowances	(10,000)					(10,000)	
Other accounts receivable		22,869		22,869		22,869	
Property taxes receivable							
Grants receivable					1,583	1,583	560,246
Due from other funds					3,136	3,136	
Inventories	36,170				321	36,170	
Prepaid expenses	103,340				3,821	107,161	
Total Current Assets	\$ 911,175	\$ 12,565	\$ 100,550	\$ 113,115	\$ 509,901	\$ 1,534,191	\$ 2,977,129
Non Current Assets:							
Capital assets							
Less allowances for depreciation	\$ 3,997,147	\$ 8,526,193	\$ 1,028,808	\$ 9,555,001	\$ 2,515,025	\$ 16,067,173	
	(2,317,458)	(6,807,462)	(147,764)	(6,955,226)	(789,473)	(10,062,157)	
Construction in progress	\$ 1,679,689	\$ 1,718,731	\$ 881,044	\$ 2,599,775	\$ 1,725,552	\$ 6,005,016	
			111,546	111,546		111,546	
Total Non Current Assets	\$ 1,679,689	\$ 1,718,731	\$ 992,590	\$ 2,711,321	\$ 1,725,552	\$ 6,116,562	
Other Assets:							
Cash reserved for:							
Funded depreciation	\$ 206,390					\$ 206,390	
Capital projects - restricted	24,414					24,414	
Other restricted	3,318					3,318	
	\$ 234,122					\$ 234,122	
Total Assets	\$ 2,824,986	\$ 1,731,296	\$ 1,093,140	\$ 2,824,436	\$ 2,235,453	\$ 7,884,875	\$ 2,977,129

COMBINED STATEMENT OF NET ASSETS - PROPRIETARY FUNDS (CONTINUED)

	Medical Care Facility	Operating	Airport Capital Improvement	Total	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
LIABILITIES							
Liabilities:							
Current Liabilities:							
Accounts payable	\$ 119,448	\$ 10,303	\$ 21,930	\$ 32,233	\$ 17,889	\$ 169,570	
Salaries and wages and related liabilities	152,271				6,639	158,910	
Current portion of note payable			14,962	14,962		14,962	
Total Current Liabilities	\$ 271,719	\$ 10,303	\$ 36,892	\$ 47,195	\$ 24,528	\$ 343,442	
Non-current liabilities:							
Note payable to bank, net of current portion			\$ 47,202	\$ 47,202		\$ 47,202	
Accrued sick and vacation pay	\$ 349,751	\$ 17,480		17,480	\$ 42,400	409,631	
Total Long-term Liabilities	\$ 349,751	\$ 17,480	\$ 47,202	\$ 64,682	\$ 42,400	\$ 456,833	
Total Liabilities	\$ 621,470	\$ 27,783	\$ 84,094	\$ 111,877	\$ 66,928	\$ 800,275	
NET ASSETS							
Net Assets:							
Invested in capital assets, net of related debt	\$ 1,679,689	\$ 1,718,731	\$ 930,426	\$ 2,649,157	\$ 1,725,552	\$ 6,054,398	
Restricted	27,732				28,316	56,048	
Unrestricted	496,095	(15,218)	78,620	63,402	414,657	974,154	\$ 2,977,129
Total Net Assets	\$ 2,203,516	\$ 1,703,513	\$ 1,009,046	\$ 2,712,559	\$ 2,168,525	\$ 7,084,600	\$ 2,977,129

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2004

	Medical Care Facility	Operating	Airport Capital Improvement	Total	Other Enterprise Funds	Enterprise Fund Totals	Internal Service Funds
Operating revenues - sales and charges for services, net	\$ 7,170,310	\$ 239,719		\$ 239,719	\$ 592,157	\$ 8,002,186	\$ 216,685
Other operating revenues	<u>206,809</u>	<u>51,241</u>	<u>7,500</u>	<u>58,741</u>	<u>5,173</u>	<u>270,723</u>	
	\$ 7,377,119	\$ 290,960	\$ 7,500	\$ 298,460	\$ 597,330	\$ 8,272,909	\$ 216,685
Operating expenses:							
Salaries, fees and fringe benefits	\$ 5,763,788	\$ 276,195		\$ 276,195	\$ 527,611	\$ 6,567,594	
Services, materials and other operating expenses	<u>1,203,434</u>	<u>193,123</u>	<u>19,301</u>	<u>212,424</u>	<u>337,229</u>	<u>1,753,087</u>	<u>8,935</u>
Depreciation provisions	228,623	182,005	30,583	212,588	161,303	602,514	
Interest	<u>5,094</u>	<u>2,662</u>		<u>2,662</u>		<u>7,756</u>	
	\$ 7,200,939	\$ 651,323	\$ 52,546	\$ 703,869	\$ 1,026,143	\$ 8,930,951	\$ 8,935
Nonoperating revenues:							
Property taxes							
Federal grants							
State grants							
Interest		\$ 12,708		\$ 12,708			
					<u>2,644</u>	<u>2,644</u>	<u>21,817</u>
	\$ 0	\$ 12,708	\$ 0	\$ 12,708	\$ 379,237	\$ 391,945	\$ 21,817
Income (Loss) Before Operating Transfers	\$ 176,180	\$ (347,655)	\$ (45,046)	\$ (392,701)	\$ (49,576)	\$ (266,097)	\$ 229,567
Operating transfers from (to) -							
Other funds		162,384	(50,500)	111,884	(116,736)	(4,852)	(366,898)
Capital contributions			<u>610,447</u>	<u>610,447</u>	<u>56,312</u>	<u>666,759</u>	
	\$ 176,180	\$ (185,271)	\$ 514,901	\$ 329,630	\$ (110,000)	\$ 395,810	\$ (137,331)
Change in Net Assets	<u>2,027,336</u>	<u>1,888,784</u>	<u>494,145</u>	<u>2,382,929</u>	<u>2,278,525</u>	<u>6,688,790</u>	<u>3,114,460</u>
Net assets at January 1, 2004							
	\$ 2,203,516	\$ 1,703,513	\$ 1,009,046	\$ 2,712,559	\$ 2,168,525	\$ 7,084,600	\$ 2,977,129
NET ASSETS AT DECEMBER 31, 2004							

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2004

	Medical Care Facility	Operating	Airport Capital Improvement	Total	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities:							
Cash received from customers	\$ 7,402,894	\$ 235,319	\$ 7,500	\$ 235,319	\$ 598,785	\$ 8,236,998	
Cash received from local units		51,241		58,741			
Property tax collections						58,741	
Other revenues							\$ 1,345,941
Cash paid to employees	(5,802,641)	(285,931)		(285,931)	(531,774)	(6,620,346)	216,685
Cash paid to local units							
Cash paid to suppliers	(1,426,030)	(205,894)	(15,429)	(221,323)	(328,147)	(1,975,500)	(1,203,876)
							(8,935)
Net Cash Provided by (Used in) Operating Activities	\$ 174,223	\$ (205,265)	\$ (7,929)	\$ (213,194)	\$ (261,136)	\$ (300,107)	\$ 349,815
Cash flows from capital and related financing activities:							
Acquisition of land, buildings and equipment	\$ (49,342)		\$ (15,000)	\$ (15,000)	\$ (135,416)	\$ (199,758)	
Proceeds from sale of assets					3,812	3,812	
Principal paid on long-term debt			(14,377)	(14,377)		(14,377)	
Interest paid	(5,094)		(2,662)	(2,662)		(7,756)	
Capital grant received					56,312	56,312	
Net Cash (Used in) Capital and Related Financing Activities	\$ (54,436)	\$ 0	\$ (32,039)	\$ (32,039)	\$ (75,292)	\$ (161,767)	\$ 0
Cash flows from noncapital financing activities:							
Operating transfers in (to) other funds		\$ 162,384	\$ (50,500)	\$ 111,884	\$ (116,736)	\$ (4,852)	\$ (366,898)
Collection of borrowings to other funds					3,225	3,225	
State and federal grants		12,708		12,708	255,204	267,912	
Property tax collections					119,308	119,308	
Net Cash Provided by (Used in) Noncapital Financing Activities	\$ 0	\$ 175,092	\$ (50,500)	\$ 124,592	\$ 261,001	\$ 385,593	\$ (366,898)
Cash flows from investing activities:							
Purchase of certificates of deposit					\$ (53,316)	\$ (53,316)	
Interest earned					3,492	3,492	21,817
Net Cash (Used in) Investing Activities					\$ (49,824)	\$ (49,824)	
Net Increase (Decrease) in Cash and Temporary Investments	\$ 119,787	\$ (30,173)	\$ (90,468)	\$ (120,641)	\$ (125,251)	\$ (126,105)	\$ 4,734
Cash and temporary investments at January 1, 2004	342,587	19,869	191,018	210,887	572,975	1,126,449	2,412,149
CASH AND TEMPORARY INVESTMENTS AT DECEMBER 31, 2004	\$ 462,374	\$ (10,304)	\$ 100,550	\$ 90,246	\$ 447,724	\$ 1,000,344	\$ 2,416,883

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)

	Medical Care Facility	Operating	Airport Capital Improvement	Total	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities:							
Operating income (loss)	\$ 176,180	\$ (360,363)	\$ (45,046)	\$ (405,409)	\$ (428,813)	\$ (658,042)	\$ 207,750
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	\$ 228,623	\$ 182,005	\$ 30,583	\$ 212,588	\$ 161,303	\$ 602,514	
Interest expense	5,094		2,662	2,662		7,756	
(Increase) decrease in current assets:							
Accounts receivable	25,775	(4,400)	3,872	(528)	1,455	26,702	\$ 142,065
Inventories	15,864					15,864	
Prepaid expenses	(61,374)					(61,374)	
Increase (decrease) in current liabilities:							
Accounts payable and due to other funds	(177,086)	(12,771)		(12,771)	7,932	(181,925)	
Accrued liabilities	(38,853)	(9,736)		(9,736)	(3,013)	(51,602)	
Total adjustments	\$ (1,957)	\$ 155,098	\$ 37,117	\$ 192,215	\$ 167,677	\$ 357,935	\$ 142,065

Net Cash Provided by
(Used in) Operating Activities

\$ 174,223 \$ (205,265) \$ (7,929) \$ (213,194) \$ (261,136) \$ (300,107) \$ 349,815

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash payments for interest

\$ 5,094

\$ 2,662

\$

\$ 7,756

Noncash capital and related financing activities:

Construction project financed by grant awards
administered by State of Michigan

\$ 610,447

\$

\$ 610,447

Construction project financed by accounts payable

\$ 21,930

\$

\$ 21,930

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2004

	Pension Trust Fund	Agency Funds
ASSETS		
Temporary investments	\$ 6,901,897	\$ 1,018,521
Investments	24,932,056	
Accrued interest receivable	103,538	
Accounts receivable	<u>11,102</u>	
Total Assets	<u>\$ 31,948,593</u>	<u>\$ 1,018,521</u>
LIABILITIES		
Due State of Michigan		\$ 28,604
Due other funds		2,355
Undistributed receipts		431,357
Undistributed tax collections		<u>556,205</u>
Total Liabilities		<u>\$ 1,018,521</u>
NET ASSETS		
Net assets held in trust for pension benefits	<u>\$ 31,948,593</u>	

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - PENSION TRUST FUND

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2004

Additions:

Contributions:

Contributions from other funds	\$	1,285,019	
Employee contributions		304,520	
Employee buyback contributions		<u>172,986</u>	

Total Contributions \$ 1,762,525

Investment income:

Net change in fair value of investments	\$	101,048	
Interest, dividends and other investment gains		<u>1,987,526</u>	
	\$	2,088,574	
Less investment expense		<u>72,706</u>	<u>2,015,868</u>

Total Additions \$ 3,778,393

Deductions:

Retirement benefits	\$	1,056,390	
Refunds		110,505	
Administrative expense		<u>91,501</u>	<u>1,258,396</u>

Net Increase \$ 2,519,997

Net assets held in trust for pension benefits at
January 1, 2004

29,428,596

NET ASSETS HELD IN TRUST FOR
PENSION BENEFITS AT DECEMBER 31, 2004 \$ 31,948,593

The accompanying notes are an integral part of the
financial statements.

COMBINED STATEMENT OF NET ASSETS - COMPONENT UNITS

GOGEBIC COUNTY, MICHIGAN

December 31, 2004

	County Road Commission	Community Mental Health Authority	Western U.P. Manpower Consortium	Economic Development Corporation	Component Unit Total
ASSETS					
Cash	\$ 409	\$ 419,571	\$ 60,209	\$ 89,926	\$ 570,115
Investments	1,109,785				1,109,785
Receivables:					
Accounts	10,653	92,845			103,498
State of Michigan	735,954	77,065	118,201		931,220
Notes				97,407	97,407
Allowances for uncollectible accounts				(50,000)	(50,000)
Inventory	498,648				498,648
Prepaid expenditures	<u>23,753</u>	<u>268,944</u>	<u>22,170</u>		<u>314,867</u>
Total Current Assets	\$ 2,379,202	\$ 858,425	\$ 200,580	\$ 137,333	\$ 3,575,540
Non Current Assets:					
Land, buildings, equipment and infrastructure	\$ 10,645,889	\$ 3,439,261	\$ 147,295		\$ 14,232,445
Less: Accumulated depreciation	(5,180,674)	(1,151,447)	(122,212)		(6,454,333)
Reserved cash		<u>282,025</u>			<u>282,025</u>
Total Non Current Assets	\$ <u>5,465,215</u>	\$ <u>2,569,839</u>	\$ <u>25,083</u>		\$ <u>8,060,137</u>
Total Assets	\$ <u>7,844,417</u>	\$ <u>3,428,264</u>	\$ <u>225,663</u>	\$ <u>137,333</u>	\$ <u>11,635,677</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 29,018	\$ 444,632	\$ 98,894		\$ 572,544
Salaries, wages and related liabilities	97,764	141,040	64,404		303,208
Due State of Michigan		61,972	26,243		88,215
Advances:					
State of Michigan	110,902				110,902
Other	88,497				88,497
Interest payable		62,120			62,120
Deferred revenue	407,958	41,261	11,039		460,258
Current portion of long-term liabilities		<u>112,831</u>			<u>112,831</u>
Total Current Liabilities	\$ 734,139	\$ 863,856	\$ 200,580	\$ 0	\$ 1,798,575
Non Current Liabilities:					
Compensated absences	\$ 313,372	\$ 274,411	\$ 17,494		\$ 605,277
Capital lease payable		1,620,000			1,620,000
Note payable to bank		57,238			57,238
Less current portion		<u>(112,831)</u>			<u>(112,831)</u>
Total Non Current Liabilities	\$ <u>313,372</u>	\$ <u>1,838,818</u>	\$ <u>17,494</u>	\$ <u>0</u>	\$ <u>2,169,684</u>
Total Liabilities	\$ <u>1,047,511</u>	\$ <u>2,702,674</u>	\$ <u>218,074</u>	\$ <u>0</u>	\$ <u>3,968,259</u>

COMBINED STATEMENT OF NET ASSETS - COMPONENT UNITS (CONTINUED)

	County Road Commission	Community Mental Health Authority	Western U.P. Manpower Consortium	Economic Development Corporation	Component Unit Total
NET ASSETS					
Net Assets:					
Invested in capital assets, net of related debt	\$ 5,465,215	\$ 610,576	\$ 25,083		\$ 6,100,874
Restricted for employee benefits net of related liabilities		7,614			7,614
Restricted for long-term portion of notes receivable				\$ 47,407	47,407
Unrestricted (deficit)	<u>1,331,691</u>	<u>107,400</u>	<u>(17,494)</u>	<u>89,926</u>	<u>1,511,523</u>
Total Net Assets	<u>\$ 6,796,906</u>	<u>\$ 725,590</u>	<u>\$ 7,589</u>	<u>\$ 137,333</u>	<u>\$ 7,667,418</u>

NOTES:

The date for the balance sheet of Community Mental Health Authority is September 30, 2004.

The date for the balance sheet of Western U.P. Manpower Consortium is June 30, 2004.

The accompanying notes are an integral part of the financial statements.

COMBINED STATEMENT OF ACTIVITIES - COMPONENT UNITS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2004

	County Road Commission	Community Mental Health Authority	Western U.P. Manpower Consortium	Economic Development Corporation	Totals
Expenses:					
Public works	\$ 5,447,681				\$ 5,447,681
Health and welfare		\$ 6,020,247	\$ 2,116,463	\$ 320	8,137,030
Interest on long-term debt		124,217			124,217
Other - Provision for uncollectible amount				50,000	50,000
Total Expenses	\$ 5,447,681	\$ 6,144,464	\$ 2,116,463	\$ 50,320	\$ 13,758,928
Program revenues:					
Charges for services	\$ 898,114	\$ 491,809			\$ 1,389,923
Operating grants and contributions	3,730,515	72,436	\$ 2,119,474		5,922,425
Capital grants and contributions	1,984,073				1,984,073
Total Program Revenues	\$ 6,612,702	\$ 564,245	\$ 2,119,474	\$ 0	\$ 9,296,421
Net (Expense) Revenue	\$ 1,165,021	\$ (5,580,219)	\$ 3,011	\$ (50,320)	\$ (4,462,507)
General revenues:					
State grants		\$ 903,610			\$ 903,610
Medicaid not restricted		4,467,226			4,467,226
Transfer from Gogebic County		71,250			71,250
Interest and rents	\$ 9,802	31,361		\$ 2,422	43,585
Other revenues		34,674			34,674
Total General Revenues	\$ 9,802	\$ 5,508,121	\$ 0	\$ 2,422	\$ 5,520,345
Gain on disposal of assets	109,666	255			109,921
Transfer out				(9,000)	(9,000)
Change in Net Assets	\$ 1,284,489	\$ (71,843)	\$ 3,011	\$ (56,898)	\$ 1,158,759
Net assets at beginning of year	5,512,417	797,433	4,578	194,231	6,508,659
NET ASSETS AT END OF YEAR	\$ 6,796,906	\$ 725,590	\$ 7,589	\$ 137,333	\$ 7,667,418

NOTES:

The fiscal year of Community Mental Health Authority is October 1, 2003 to September 30, 2004.

The fiscal year of Western U.P. Manpower Consortium is July 1, 2003 to June 30, 2004.

The accompanying notes are an integral part of the financial statements.

NOTES
TO
FINANCIAL
STATEMENTS

NOTES TO FINANCIAL STATEMENTS

GOGEBIC COUNTY, MICHIGAN

December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Gogebic County operates under an elected Board of Commissioners. The financial statements of the County have been prepared in conformity with generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. The more significant of the County's accounting policies are described below.

Financial Reporting Entity

The financial statements of the reporting entity include those of Gogebic County (the primary government) and its component units as required by generally accepted accounting principles.

The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The component units discussed below are included in the County's reporting entity as discretely presented component units because of the significance of their operational or financial relationships with the County. These component units are reported in a separate column to emphasize that they are legally separate from the County. A combining statement of net assets and statement of activities for these discretely presented component units are included as a part of the basic financial statements.

Gogebic County Road Commission - The members of the governing Board of Road Commissioners are appointed by the County Board. The Road Commission is fiscally dependent on the County because the County must approve taxes levied and approve bonded debt. Separate financial statements for the Road Commission may be obtained at its administrative office at North Moore Street, Bessemer, Michigan 49911.

Community Mental Health Authority - Community Mental Health Authority originally began as Gogebic County Community Mental Health Board (the Board) and was organized by Gogebic County to provide mental health services to Gogebic County residents under State of Michigan Public Act 258 of 1974, as amended by Public Act 290 of 1995. On April 24, 2002, under the authority of the same Public Acts the Gogebic County Board of Commissioners duly adopted various resolutions changing the Board's status to that of an Authority and the name to Community Mental Health Authority (the Authority). The resolutions were filed with the State of Michigan and became effective on April 29, 2002.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

The Authority continued to operate under the contract the Board originally set up with the Michigan Department of Community Health and the same administrative board consisting of twelve members appointed by the Gogebic County Board of Commissioners. The financial statements and related notes reflect the operations of the Authority for the fiscal year ended September 30, 2004.

The Authority is considered a component unit of Gogebic County, Michigan due to the Gogebic County Board of Commissioners continuing to appoint the Authority's Administrative Board, the Authority continuing to be a part of Gogebic County, Michigan's retirement plan and in the event of dissolution, some of the Authority's assets will be transferred to Gogebic County, Michigan. Separate financial statements for the Authority may be obtained at its administrative office at 103 West US 2, Wakefield, Michigan 49968.

Western Upper Peninsula Manpower Consortium - Western Upper Peninsula Manpower Consortium (the Consortium) was originally created under Michigan Public Act 8 of 1967 to administer the Federal Comprehensive Employee Training Act of 1973, had also administered the Jobs Training Partnership Act of 1982 and now administers the Workforce Investment Act of 1998. The Consortium operates under an appointed Administrative Board with two members from each of the six counties comprising the Consortium. The Consortium covers a service delivery area of the Michigan counties of Baraga, Gogebic, Houghton, Iron, Keweenaw and Ontonagon with the main office in the City of Ironwood, Michigan, and field offices in the cities of Houghton and Crystal Falls, Michigan.

The members of the governing board of the Consortium are appointed by member counties. The Gogebic County Treasurer is the depository for all monetary transactions involving the Consortium. Employees of the Consortium are considered to be Gogebic County employees and are members of the Gogebic County Employees' Retirement System. Gogebic County provides no financial assistance to the Consortium. Separate financial statements for the Consortium may be obtained at its administrative office at 100 West Cloverland Drive, Ironwood, Michigan 49938. The financial statements of the Consortium are presented on its fiscal year of July 1, 2003 to June 30, 2004.

Economic Development Corporation - The majority of the members of the governing board are appointed by the County Board of Commissioners. The Economic Development Corporation (EDC) is a legally separate nonprofit corporation established pursuant to the provisions of Michigan Public Act 338 of 1974, as amended. The County Board has the ability to modify or approve the budget of the EDC. The EDC may not issue debt without County Board approval. Separate financial statements for the EDC are not prepared and are not available.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

The component units discussed below are included in the County's reporting entity as blended component units because the County believes its financial statements would be misleading if the data were not included.

Economic Development Commission - The Economic Development Commission was established pursuant to Michigan Public Act 46 of 1966 and is governed by a board appointed by the County Board. The Economic Development Commission is reported as a special revenue fund of the County because its sole purpose is to finance economic development projects within the County.

Gogebic County Transit - Gogebic County Transit is a separate legal entity and is administered by an elected board. The Transit Board may not issue debt. The Transit taxes are levied under the taxing authority of the Gogebic County Board, as approved by the Gogebic County electors, and are included as a part of the County's total tax levy and are reported in the Gogebic County Transit Fund. The financial statements of the Transit are presented using their fiscal year ended September 30, 2004.

The financial statements of certain other governmental organizations, as set forth below, are not included in the financial statements of the County in accordance with generally accepted accounting principles.

Gogebic County is a member of the Western Upper Peninsula District Health Department, and all of the financial transactions thereof are recorded in the records of another county and are therefore not included in the financial statements of Gogebic County. The Health Department provides limited health services to the residents of Houghton, Ontonagon, Gogebic, Baraga and Keweenaw counties. Each of the counties is required to contribute financial resources on an annual basis sufficient to eliminate any operating deficits and to provide for retirement of long-term debt. Gogebic County is responsible for approximately 21% of such annual contributions. Gogebic County's 2004 appropriation to the Health Department was \$102,283. Separate financial statements of the Western Upper Peninsula District Health Department may be obtained at the administrative office at 540 Depot Street, Houghton, Michigan 49931.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

Summary financial information of the Health Department as of and for the year ended September 30, 2004, follows:

Total assets	<u>\$ 2,696,278</u>
Total liabilities, including general long-term debt of \$785,816	<u>\$ 1,371,858</u>
Net assets	<u>\$ 1,324,420</u>
Total revenues	\$ 5,754,816
Total expenditures	(6,074,298)
Contributions from local units and operating transfer from primary government	<u>377,774</u>
Excess of revenues	\$ 58,292
Fund balance at October 1, 2003	<u>1,266,128</u>
Fund balance at September 30, 2004	<u>\$ 1,324,420</u>

The financial statements of the Community Development Block Grant Fund are included in the financial statements of the County as a special revenue fund. The County passes federal block grant monies to Gogebic-Ontonagon Community Action Agency (the Agency), a subrecipient of the grant monies and a separate governmental entity. The Agency administers various governmental programs for the low income and elderly population in a two-county region in the western Upper Peninsula of Michigan. The Agency's activities are funded primarily by federal and state grants awarded to it by the Michigan Family Independence Agency, Upper Peninsula Commission for Area Progress (UPCAP), U.S. Department of Agriculture, and U.S. Department of Health and Human Services. The financial statements of Gogebic-Ontonagon Community Action Agency are not included in the financial statements of the County.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

Summary financial information of the Agency as of and for its fiscal year ended September 30, 2004, follows:

Total assets	<u>\$ 368,371</u>
Total liabilities	<u>\$ 329,747</u>
Total net assets	<u>\$ 38,624</u>
Total support and revenues	\$ 3,718,208
Total expenses	<u>(3,822,120)</u>
Change in net assets	\$ (103,912)
Net assets at October 1, 2003	<u>142,536</u>
Net assets at September 30, 2004	<u>\$ 38,624</u>

Separate financial statements of the Agency may be obtained at the administrative office at 320 East Aurora Street, Ironwood, Michigan 49938.

Under terms of a reorganization agreement among the County of Gogebic, Grand View Hospital, Gogebic County Hospital Finance Authority and North Community Healthcare, Inc. (now Grand View Health System, Inc.), effective January 1, 1990, all assets of Grand View Hospital (except building, improvements and fixtures), liabilities and contract rights of the Hospital were transferred to North Community Healthcare, Inc. (the Corporation).

Building, improvements and fixtures were conveyed to Gogebic County Hospital Finance Authority. The County and the Authority have entered into a lease purchase agreement with the Corporation. Under the terms of that agreement, the Corporation agreed to pay Gogebic County General Obligation Hospital Bonds issued in 1967 (now paid in full), agreed to provide up to \$12,000 annually in services to the County Health Department, and up to \$3,000 annually of services to uninsured County prisoners and provide care to indigent patients. The lease purchase agreement continues through December 31, 2004, with the possibility for extension.

The financial statements of Grand View Health System, Inc. and Gogebic County Hospital Finance Authority are not included in the financial statements of Gogebic County. There were no financial transactions between Gogebic County and Grand View Health System, Inc. for the year ended December 31, 2004.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report information on all of the activities of the County except for the fiduciary activities. All of the County's activities are considered to be governmental activities, business-type activities or component units. Interfund activity including operating transfers between activities and amounts due to and from activities has been eliminated in the government-wide financial statements.

Fund-based Financial Statements

Separate financial statements are provided on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental business-type activities, component units as well as fiduciary funds are provided. The various fund types are grouped in the financial statements as major funds or nonmajor funds. The County reports the following major funds:

General Fund - the general operating fund of the County. This fund is used to account for all financial resources except those required to be accounted for in another fund.

Medical Care Facility - used to account for the financial transactions of the Gogebic Medical Care Facility.

Airport Operating Fund - used to account for the financial transactions of the Gogebic-Iron County Airport.

All other funds are considered to be nonmajor. They include:

Special Revenue Funds - are used by the County to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Fund - Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Fund-based Financial Statements (Continued)

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or for activities where periodic measurement of net income is appropriate for capital maintenance, public policies, management control or other purposes.

Internal Service Funds - Internal Service Funds are used to account for monies advanced by the County to pay the County and other local taxing units for their delinquent real property taxes.

Fiduciary Funds

Fiduciary Funds are used to account for assets held in a trustee capacity or as an agent for others.

Basis of Accounting

Government-wide Financial Statements

The Government-wide financial statements report all financial and capital assets, short and long-term liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The Statement of Activities reports net cost information based on the County's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. Program revenues include charges for services that are fees and other charges to the users or recipients of the services the County provides. Program revenues also include operating grants and contributions that are restricted for a particular purpose. Property taxes, state and federal grant revenues that are not program revenues are reported as general revenues.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund-based Financial Statements

Governmental fund types and Agency Funds use the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenues are recorded when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Revenues are available when they are collectible during the period and the actual collection will occur either (a) during the current period or (b) after the end of the period but in time to pay fund liabilities. The County considers revenues to be available if they are expected to be collected within 60 days of the end of the year. Generally, tax revenues, fees and nontax revenues are recognized when received. Property tax revenues are recognized as revenue on January 1 of the year after being levied, when monies are available for use to finance County operations, with proper allowances made for estimated uncollectible accounts and delinquent accounts. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources, except unmatured interest on general long-term debt is recorded when due.

Proprietary and Fiduciary Financial Statements

Proprietary fund types and Pension Trust Fund use the accrual basis of accounting and the flow of all economic resources (measurement focus). This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises; revenues are recorded when earned and expenses are recorded when incurred. Under this basis of accounting and measurement focus, the County applies (a) all GASB pronouncements and (b) FASB Statements and Interpretations, APB Opinions and Accounts Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Granting of Credit

The General Fund grants credit to the State of Michigan and various local units of government in the western Upper Peninsula of Michigan.

Community Mental Health Authority (a component unit) and Medical Care Facility record patient service revenue at established rates. Each has an agreement with third-party payors, which provide for reimbursement of patient service revenue at amounts different from established rates. The primary third-party payors are Medicare and Medicaid. Accounts receivable from patients include amounts due from Medicare and Medicaid.

Airport Operating Fund grants credit to various customers for storage facility space and fuel. Gogebic County Transit grants credit to several local community governmental agencies. Gogebic County Forestry Commission grants credit to several timber purchasers.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Granting of Credit (Continued)

County Road Commission (a component unit) grants credit to various customers for various types of services performed. Included among its customers are several local units of government.

Community Development Block Grant Fund and Economic Development Corporation (a component unit) grant credit in the form of notes receivable to individuals and local corporations.

Budgets

Formal budgetary accounting is employed as a management control for all funds of the County; however, legal budgets are adopted only for the General, Debt Service and Special Revenue Funds. For each fund for which a formal budget is adopted, the same basis of accounting is used to reflect actual revenues and expenditures recognized on the basis of generally accepted accounting principles.

The County follows these procedures in establishing budgetary data shown in the financial statements:

1. Prior to January 1, the County Administrator submits to the County Board of Commissioners a proposed operating budget for the year commencing January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are held to obtain taxpayers' comments.
3. Prior to January 1, the budget is legally enacted by the County Board of Commissioners by passage of the General Appropriations Act. The budget expires on December 31 of the budget year.
4. Any revisions to the budgeted amounts must be approved by the County Board of Commissioners.
5. Budgets for governmental fund types are adopted on a basis consistent with generally accepted accounting principles at the activity level for the General Fund and at the functional level for Debt Service and Special Revenue Funds.
6. Budgeted amounts are as originally adopted plus amendments made on or before December 31 by the County Board of Commissioners.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets (Continued)

7. The budget for the County Road Commission (a component unit) is adopted and administered by the Board of County Road Commissioners. The budget basis of accounting does not differ significantly from the modified accrual basis used to report actual revenues and expenditures. The budget for Community Mental Health Authority (a component unit) is adopted and administered by the Gogebic County Mental Health Board and is budgeted on a program basis.

Cash

Cash applicable to a particular fund is readily identifiable. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the County's investments.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Interest Receivable

Interest on investments and certain receivables is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

Inventories

Inventories of the Medical Care Facility (an Enterprise Fund) are stated at the lower of cost or market; cost is determined by the first-in, first-out method. Inventories of the County Road Commission (a component unit) are stated at cost as determined by the moving-average method.

Payments for inventoriable types of supplies for other funds are recorded as expenditures or expenses at the time of purchase.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Depreciation

Capital assets, including land and improvements, buildings, furniture and fixtures, equipment, vehicles and infrastructure assets (roads, bridges, sidewalks and similar items) are reported in the Government-wide financial statements. Capital assets are defined by the County and its component units as assets with an acquisition cost of generally more than \$1,000 or betterments totaling \$20,000 with an estimated useful life in excess of five years. Assets meeting this criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense. The expense is recorded on the Government-wide Statement of Activities and included as a direct expense of an identifiable function if the assets sole purpose can be identified as being for the function. Depreciation expense (unallocated) is the amount of depreciation expense that cannot be charged to any particular function.

The capital assets are depreciated using the straight-line method over the following useful lives (land excluded as not depreciable):

Land improvements	20 years
Buildings	25-50 years
Furniture, fixtures and other equipment	5-20 years
Vehicles	5-10 years
Roads	5-30 years
Other infrastructure	12-50 years

Compensated Absences

The liability for accumulated vacation and sick pay amounts is recorded in the Government-wide Statement of Net Assets.

Long-Term Obligations

The County reports long-term debt and other long-term obligations in the Government-wide Statement of Net Assets. Amounts are recorded at face value along with any accrued interest to December 31, 2004.

Investment in Capital Assets, Net of Related Debt

This is a portion of net assets of the County that consists of capital assets, net of accumulated depreciation and reduced by long-term liabilities for notes, bonds and other debt attributable to the acquisition, construction or improvement of those assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Net Assets

Net assets are restricted when there are constraints placed on their use by external parties or by statute.

Unrestricted Net Assets

Net assets not meeting either criteria above are considered unrestricted.

Fund Balance

In the fund-based financial statements, the unreserved fund balances represent the amount available for budgeting future operations. The reserved fund balances represent the tentative and required plans for future use of financial resources.

Pensions

The provision for pension cost is recorded on an accrual basis, and the County's policy is to fund pension costs as they accrue.

Property Tax Revenues, Taxes Receivable and Deferred Revenue

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 of the ensuing year with the final collection date of February 28 before they are added to the delinquent rolls. The County records property taxes as a receivable and deferred revenue on December 1; the property taxes are then recognized as revenue on January 1 of the following year, when monies are available for use to finance County operations. The County purchases delinquent real property taxes of the County and all local units annually.

Starting December 1, 2004, the State required the County to start a new fund called Revenue Sharing Reserve Fund. All taxes collected in December 2004 for the December 1, 2004 tax levy are to be deposited into this fund. In 2005, additional tax collections are to be deposited into this fund until the total deposits equal one-third of the general tax levy for December 1, 2004. Withdrawals from this new fund are limited to an amount determined by the State. This amount is based upon what the State shared revenue would have been, had this funding not been discontinued.

Vacation, Sick Leave and Other Compensated Absences

County employees are entitled to certain compensated absences based on their length of employment. Compensated absences either vest or accumulate and are accrued when they are earned.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Public Act 275 of 1980 Disclosure

There were no accumulated fund-balance/retained-earnings deficits in any individual funds as of December 31, 2004. The Airport Operating Fund had an unrestricted net asset deficit of \$15,218 as of December 31, 2004.

Public Act 621 of 1978 Disclosure

Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended December 31, 2004, Gogebic County had excesses of expenditures over appropriations in the following functional areas:

	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Special Revenue Funds -			
Capital outlay	\$ <u>0</u>	\$ <u>70,112</u>	\$ <u>(70,112)</u>

NOTE C - PROPERTY TAX INFORMATION

A summary of current property taxes levied on December 1, 2004, follows:

	<u>Mills</u>	<u>Levy</u>	<u>Taxable Valuation</u>
General operating	6.4494	\$ 2,359,078	
Gogebic County Transit	0.3216	117,636	
Animal control	0.1946	71,181	
Medical Care Facility - Maintenance of Effort	0.4153	151,908	
Senior Programs	<u>0.6000</u>	<u>219,469</u>	
TOTALS	<u>7.9809</u>	<u>\$ 2,919,272</u>	<u>\$ 365,782,404</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D - RISK MANAGEMENT

General County Operations

Gogebic County is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The County has purchased commercial insurance for medical benefits claims and participates as a member in the Michigan Municipal Risk Management Authority (the Pool) for claims relating to general liability, excess liability, auto liability, truckline liability, errors and omissions, physical damage (equipment, buildings and contents) and workers' compensation.

The Pool operates as a public entity risk-sharing pool providing property and liability coverage to participating members for local units in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. The County is sharing risk with the other members of the Pool and has a self-insurance retention, excess of deductibles, of up to \$75,000. The deductible is \$1,000 per occurrence for auto, property and crime losses. The Pool provides, after the self-insurance retention, reinsurance up to \$15,000,000 of occurrence-based casualty coverage and property coverage for each incident by internally assuming risks and reinsuring risks through commercial companies.

Community Mental Health Authority

The Community Mental Health Authority (Authority) is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority manages its risk by purchasing insurance coverage through Michigan Municipal Risk Management Authority (MMRMA), a public entity risk pool providing property and liability coverage to its participating members. MMRMA is created by authority granted by the laws of the State of Michigan to provide risk financing and risk management services to eligible Michigan local governments. MMRMA is a separate legal and administrative entity as permitted by Michigan laws. The Authority is eligible to be a member of MMRMA.

Coverage limits vary depending upon the type of claim. Coverage limits can be found in the Coverage Overview Document and are generally up to \$10,000,000 of occurrence-based casualty coverage for each incident and up to \$4,612,254 of occurrence-based property coverage.

The Authority carries commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D - RISK MANAGEMENT (CONTINUED)

Road Commission

The Road Commission is exposed to various risks of loss related to torts; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Road Commission manages its risk by being a member of the Michigan County Road Commission Self-Insurance Pool (the Pool), a public entity risk pool providing general liability, auto, property and crime insurance coverage to its participating members and also by being a member of the County Road Association Self-Insurance Fund (the Fund), a public entity risk pool providing workers' compensation coverage to its participating members. The Road Commission is sharing risks with other members of the pools and pays an annual premium to each pool for the following coverage:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
General liability	\$10,500,000	\$1,000
Physical damage:		
Building Ordinance Coverage	1,000,000	500
Property in Transit	50,000	500
At Unnamed Locations	10,000	500
Crime	25,000	1,000
Workers' compensation	Statutory limits	0

The pools provide this coverage to members by internally assuming risks and reinsuring risks through commercial companies. The Pool has reinsurance up to \$10,500,000 and the Fund has reinsurance up to \$10,000,000.

Share of Losses

The County's liabilities for its share of losses are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities can include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. The County Board, Community Mental Health Authority and Road Commission estimate that the potential unpaid and unreported claims do not substantially exceed the amount of self-insurance retention reserves available to pay claims.

The County Board, Community Mental Health Authority and Road Commission carry commercial insurance for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - GOGEBIC COUNTY HOSPITAL FINANCE AUTHORITY

As explained in Note A to the financial statements, the operation of Grand View Hospital was transferred by Gogebic County to North Community Healthcare, Inc., a nonprofit corporation (the Corporation), effective January 1, 1990. North Community Healthcare, Inc. has since changed its name to Grand View Health System, Inc.

During the year ended December 31, 1991, Gogebic County Hospital Finance Authority issued hospital revenue bonds to finance construction of additional hospital facilities. The Hospital Finance Authority remitted the proceeds from the hospital revenue bonds to the Corporation. During the year ended December 31, 1999, these bonds were refinanced and replaced with Series 1999 revenue bonds.

Following is a summary relating to outstanding hospital revenue bonds at December 31, 2004, as presented in the financial statements of Grand View Health System, Inc.:

Hospital revenue bonds, Series 1999 – 4.8% to 5.875% revenue bonds; interest is payable in semiannual installments, principal is due in increasing annual installments ranging from \$230,000 in 2005 to \$410,000 in 2016; collateralized by the gross receipts of the Hospital, a mortgage on substantially all real property and fixtures thereon and certain monies held in a bond reserve account. The bonds are subject to specific sinking fund installments and to special redemption provisions.

\$3,705,000

Under provisions provided for in the several agreements, the debt is not presented as an obligation of Gogebic County in its statement of net assets. The debt constitutes limited obligations of Gogebic County Hospital Finance Authority, payable solely by the Corporation to Gogebic County Hospital Finance Authority as required by the agreements. The Hospital revenue bonds are subject to a mortgage lien and are further collateralized by a pledge of Hospital gross receipts. The Hospital revenue bonds do not represent a general obligation of Gogebic County or of the Hospital Finance Authority; they are presented as a liability in the financial statements of the Corporation.

NOTE F - CASH AND INVESTMENT INFORMATION

Cash

The County Treasurer is the depository agent for cash balances of the various funds. These cash balances are combined for investment purposes, and a detailed accounting of cash balances allocable to the various funds is maintained by the County Treasurer.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - CASH AND INVESTMENT INFORMATION

Cash (Continued)

Deposits were made in accordance with State of Michigan statutes and under authorization of the County Board of Commissioners. The carrying amount of deposits and cash on hand is separately displayed on the balance sheet as "Cash". For purposes of the Statement of Cash Flows - Proprietary Fund Types, cash includes cash and investments in money market and municipal investment funds. Following is a summary of the carrying amount of cash (which is substantially equal to the bank balances) at December 31, 2004:

	Primary Government	Discretely Presented Component Units	Total
Cash on Hand and Deposits:			
Cash on hand	\$ 1,200		\$ 1,200
Deposits in banks insured by federal depository insurance:			
Insured (FDIC)	256,491	\$ 100,000	356,491
Uncollateralized and uninsured	<u>3,850,154</u>	<u>470,115</u>	<u>4,320,269</u>
	<u>\$ 4,107,845</u>	<u>\$ 570,115</u>	<u>\$ 4,677,960</u>

Investments

Michigan Compiled Laws, Section 129.91, authorizes the County to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involve no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bonds or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - CASH AND INVESTMENT INFORMATION (CONTINUED)

Investments (Continued)

The County's retirement system's investments are held in book-entry form by the investment fiduciary, Bank One Trust Company, NA of Detroit. Michigan Compiled Laws, Section 38.1132, authorizes the County retirement system to invest in a wide variety of investments including stocks, bonds, certificates of deposit, annuity contracts obligations of a specified nature and real or personal property. Specific limitations apply to the various investment types depending on the size of the system.

The County's deposits and investments are in accordance with statutory authority.

Investments of the governmental and proprietary fund types include only dollar denominated money market and municipal investment funds.

Investments of the Pension Trust Fund are stated for financial-statement purposes as follows:

U.S. Treasury and Agency securities, domestic stocks, domestic and international bonds, and equity mutual funds are reported at fair market value. Interest is credited to investment income as received by or accrued and reported to the County by the investment trustee. Money market funds are reported at carrying value, which equals fair market value.

The County's investments are categorized below to give an indication of the level of risk assumed by the County at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the agent.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - CASH AND INVESTMENT INFORMATION (CONTINUED)

Investments (Continued)

	Category			Carrying	Fair Market
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Value</u>	<u>Value</u>
<u>PRIMARY GOVERNMENT</u>					
<u>Investment Type</u>					
Pension Trust Fund:					
Risk-categorized:					
U.S. Treasury and agency obligations	\$ 7,663,690			\$ 7,663,690	\$ 7,663,690
Domestic stocks	11,616,056			11,616,056	11,616,056
Domestic corporate bond	1,849,764			1,849,764	1,849,764
International bonds	<u>149,415</u>	<u></u>	<u></u>	<u>149,415</u>	<u>149,415</u>
Total risk-categorized investments	<u>\$ 21,278,925</u>	<u>\$ 0</u>	<u>\$ 0</u>	\$ 21,278,925	\$ 21,278,925
Equity mutual funds				3,653,131	3,653,131
Non-risk categorized - Money market funds				<u>6,901,897</u>	<u>6,901,897</u>
Total Pension Investments				\$ 31,833,953	\$ 31,833,953
All Other Primary Government Fund Types -					
Non-risk categorized - Money market and municipal investment funds				<u>153,316</u>	<u>153,316</u>
Total Primary Government Investments				\$ 31,987,269	\$ 31,987,269
Agency Funds -					
Non-risk categorized - Money market and municipal investment funds				1,018,521	1,018,521
<u>COMPONENT UNITS</u>					
Non-risk categorized - Money market and municipal investment funds				<u>1,109,785</u>	<u>1,109,785</u>
TOTAL INVESTMENTS				<u>\$ 34,115,575</u>	<u>\$ 34,115,575</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - CASH AND INVESTMENT INFORMATION (CONTINUED)

Investments (Continued)

The Employees' Retirement System Fund had net assets of \$31,948,593 held in trust for pension benefits at December 31, 2004. Other than U.S. Government obligations, investments which represented more than five percent of the net assets available for benefits were Federal National Mortgage Association and Federal Home Loan Mortgage Corporation collateralized mortgage obligation trusts totaling \$5,176,824 and One Group Prime Money Market Fund of \$6,218,211 at December 31, 2004.

There were no investments in, loans to, or leases with parties related to the pension plan.

NOTE G - RECEIVABLES INFORMATION

Accounts Receivable

Balance of accounts receivable at December 31, 2004, follows:

Primary government:		
Medical Care Facility (net of \$10,000 allowance)		\$ 543,413
Component units:		
Road Commission	\$ 10,653	
Community Mental Health Authority (net of \$5,000 allowance)	92,845	<u>103,498</u>
		<u>\$ 646,911</u>

Taxes Receivable - Delinquent

GENERAL FUND

Taxes Receivable includes the current 2004 levy of \$2,585,133 (net of taxes collected during the month of December 2004) and delinquent personal property taxes of \$76,436.

ENTERPRISE FUND AND INTERNAL SERVICE FUND

Taxes Receivable consist of delinquent personal property taxes for Gogebic County Transit of \$1,583 and \$560,246 of unpaid delinquent real property taxes which were purchased from all of the taxing units in Gogebic County by the County's Delinquent Tax Revolving Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - RECEIVABLES INFORMATION (CONTINUED)

Allowances for Uncollectibles

Allowances for uncollectibles total \$10,000 in Enterprise Funds and \$5,000 in Component Units. Component units also include an allowance for uncollectible portion of notes receivable of \$50,000. Allowances in other funds are not considered to be material in amount.

Notes Receivable

Following is a summary of monies the County has loaned to local corporations and to individuals to be used for additions and improvements to industrial facilities and housing:

	Balance at <u>December 31, 2004</u>
Primary Government:	
3% loans to individuals, due in varying monthly installments, including interest, payable in full at varying dates, the latest being October 2, 2008.	\$ 46,236
Component Unit:	
7.5% loan to local corporation, due in monthly installments of \$594, including interest, payable in full on April 1, 2014.	\$ 47,407
5.0% loan to local corporation, due in monthly installments of \$1,888, including interest, payable in full on July 25, 2005. No principal payments were received since loan origination in year 2000.	50,000
	\$ 97,407
Less allowances for uncollectible portion	(50,000)
Total Component Unit	\$ 47,407
TOTAL	<u>\$ 93,643</u>

The County is accounting for the notes receivable in its Community Development Block Grant Fund and in its Economic Development Corporation. Principal and interest collected on the block grant loans to individuals are restricted for future block grant housing improvements. Principal and interest collected on the economic development loans to local corporations are restricted for economic development purposes. The Economic Development Corporation has adopted an economic development plan which allows for spending of the monies.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H - SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

Certain employees of Gogebic County are covered by collective bargaining agreements. General courthouse employees other than elected and appointed officials, employees of the Road Commission, police officers and employees of the Medical Care Facility each have their own collective bargaining agreements. Some of these agreements are scheduled for expiration within the next year.

The Gogebic County Airport services the Gogebic County, Michigan and Iron County, Wisconsin, market areas. One airline company provides essential airline service to the airport.

Gogebic County Medical Care Facility provides nursing service to patients, most of whom are covered by Medicare and Medicaid.

NOTE I - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables resulting from various interfund transactions were as follows at December 31, 2004:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payables</u>
Trust and Agency	\$ 2,966	General	\$ 2,966
Law Library	5,000	Library Penal Fine	5,000
Fair Board	<u>321</u>	Trust and Agency	<u>321</u>
	<u>\$ 8,287</u>		<u>\$ 8,287</u>

NOTE J - INTERFUND TRANSFERS

Transfers of cash between the various County funds are budgeted and reported separately from revenues and expenditures as operating transfers in (out). A summary of net interfund transfers for the year ended December 31, 2004, follows:

	<u>Transfers from other funds</u>	<u>Transfers to other funds</u>
Operating transfers:		
General Fund	\$ 587,859	\$ 516,884
Special revenue funds	354,422	109,647
Enterprise funds	165,384	170,236
Internal service funds		366,898
Community Mental Health Authority	71,250	
Economic Development Corporation		9,000
Difference - Component Unit with September 30, 2004 year end		<u>6,250</u>
Total Operating Transfers	<u>\$ 1,178,915</u>	<u>\$ 1,178,915</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE K - RESTRICTED NET ASSETS

Following is a summary of restricted portions of fund balance for individual funds at December 31, 2004:

<u>Fund</u>	<u>Purpose</u>	<u>Amount of Reserve</u>
Primary Government:		
General	Maintenance of effort tax collections	\$ 46,485
Special Revenue:		
Community Development Block Grant Fund	Long-term portion of notes receivable	3,169
Debt Service	Debt service	168
		<u>\$ 49,822</u>
Proprietary:		
Forest and Parks Commission	Roads	\$ 25,000
Gogebic County Transit	Future unemployment claims	3,316
Medical Care Facility	Capital projects/residential activities	27,732
		<u>\$ 56,048</u>
		<u>\$ 105,870</u>
Component Units:		
Economic Development Corporation	Long-term portion of notes receivable	\$ 47,407
Community Mental Health Authority	Employee benefits	7,614
		<u>\$ 55,021</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE L - FIXED ASSETS

Changes in governmental activities and component unit capital assets are summarized below:

	Balance at January 1, 2004	Additions	Disposals	Adjustments	Balance December 31, 2004
<u>Governmental Activities</u>					
General:					
Land	\$ 25,000				\$ 25,000
Buildings	2,491,455				2,491,455
Furniture and fixtures	1,432,703	\$ 122,587	\$ 75,304		1,479,986
	\$ 3,949,158	\$ 122,587	\$ 75,304		\$ 3,996,441
Less accumulated depreciation	2,564,193	129,631	57,663	\$ (103,887)	2,532,274
Total Governmental Activities	\$ 1,384,965	\$ (7,044)	\$ 17,641	\$ 103,887	\$ 1,464,167
<u>Proprietary Activities</u>					
<u>Major Funds</u>					
Medical Care Facility:					
Land and improvements	\$ 216,690	\$ 21,835			\$ 238,525
Buildings	2,766,570				2,766,570
Equipment and vehicles	964,545	27,507			992,052
	\$ 3,947,805	\$ 49,342	\$ 0		\$ 3,997,147
Less accumulated depreciation	2,088,835	228,623			2,317,458
	\$ 1,858,970	\$ (179,281)	\$ 0		\$ 1,679,689
Airport - Operating:					
Land and improvements	\$ 7,123,769				\$ 7,123,769
Buildings	801,355				801,355
Equipment and vehicles	601,069				601,069
	\$ 8,526,193	\$ 0	\$ 0		\$ 8,526,193
Less accumulated depreciation	6,625,457	182,005			6,807,462
	\$ 1,900,736	\$ (182,005)	\$ 0		\$ 1,718,731

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE L - FIXED ASSETS (CONTINUED)

	Balance at January 1, 2004	Additions	Disposals	Adjustments	Balance December 31, 2004
<u>Proprietary Activities (Continued)</u>					
<u>Major Funds (Continued)</u>					
Airport - Capital Improvement					
Buildings and fencing	\$ 107,796	\$ 647,377			\$ 755,173
Equipment and vehicles	<u>273,635</u>				<u>273,635</u>
	\$ 381,431	\$ 647,377	\$ 0		\$ 1,028,808
Less accumulated depreciation	<u>117,181</u>	<u>30,583</u>			<u>147,764</u>
	\$ 264,250	\$ 616,794	\$ 0		\$ 881,044
<u>Nonmajor Funds:</u>					
Forestry Commission:					
Land and improvements	\$ 324,765	\$ 2,214			\$ 326,979
Buildings	106,578	56,716			163,294
Equipment and vehicles	<u>139,300</u>	<u>3,827</u>			<u>143,127</u>
	\$ 570,643	\$ 62,757	\$ 0		\$ 633,400
Less accumulated depreciation	<u>92,373</u>	<u>28,948</u>			<u>121,321</u>
	\$ 478,270	\$ 33,809	\$ 0		\$ 512,079
Fair Board:					
Land and improvements	\$ 3,233				\$ 3,233
Buildings	766,315	\$ 9,311			775,626
Equipment and vehicles	<u>12,149</u>	<u>7,036</u>			<u>19,185</u>
	\$ 781,697	\$ 16,347	\$ 0		\$ 798,044
Less accumulated depreciation	<u>112,135</u>	<u>13,806</u>			<u>125,941</u>
	\$ 669,562	\$ 2,541	\$ 0		\$ 672,103
Gogebic County Transit:					
Land and improvements	\$ 37,557				\$ 37,557
Buildings	541,123				541,123
Equipment and vehicles	<u>509,649</u>	<u>\$ 56,312</u>	<u>\$ 61,060</u>		<u>504,901</u>
	\$ 1,088,329	\$ 56,312	\$ 61,060		\$ 1,083,581
Less accumulated depreciation	<u>484,722</u>	<u>118,549</u>	<u>61,060</u>		<u>542,211</u>
	\$ 603,607	\$ (62,237)	\$ 0		\$ 541,370
Construction in progress	<u>111,546</u>				<u>111,546</u>
Total Proprietary Funds	<u>\$ 5,886,941</u>	<u>\$ 229,621</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,116,562</u>
Total Primary Government	<u>\$ 7,271,906</u>	<u>\$ 222,577</u>	<u>\$ 17,641</u>	<u>\$ 103,887</u>	<u>\$ 7,580,729</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE L - FIXED ASSETS (CONTINUED)

	Balance at January 1, <u>2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>Adjustments</u>	Balance December 31, <u>2004</u>
<u>Component Units</u>					
Gogebic County Road Commission:					
Land and improvements	\$ 1,617				\$ 1,617
Infrastructure	2,933,307	\$1,362,756			4,296,063
Buildings	793,534				793,534
Equipment	<u>5,371,670</u>	<u>621,317</u>	<u>\$ 438,312</u>		<u>5,554,675</u>
	\$ 9,100,128	\$1,984,073	\$ 438,312		\$ 10,645,889
Less accumulated depreciation	<u>5,242,968</u>	<u>351,133</u>	<u>413,427</u>		<u>5,180,674</u>
	\$ 3,857,160	\$1,632,940	\$ 24,885		\$ 5,465,215
Community Mental Health Authority:					
Land	\$ 4,128				\$ 4,128
Buildings	2,460,622	\$ 9,275			2,469,897
Furniture and fixtures	<u>961,239</u>	<u>122,944</u>	<u>\$ 118,947</u>		<u>965,236</u>
	\$ 3,425,989	\$ 132,219	\$ 118,947		\$ 3,439,261
Less accumulated depreciation	<u>1,129,588</u>	<u>128,911</u>	<u>107,052</u>		<u>1,151,447</u>
	\$ 2,296,401	\$ 3,308	\$ 11,895		\$ 2,287,814
Western U.P. Manpower Consortium:					
Equipment	\$ 167,214	\$ 7,105	\$ 27,024		\$ 147,295
Less accumulated depreciation	<u>138,551</u>	<u>8,999</u>	<u>25,338</u>		<u>122,212</u>
	\$ 28,663	\$ (1,894)	\$ 1,686		\$ 25,083
Total Component Units	<u>\$ 6,182,224</u>	<u>\$1,634,354</u>	<u>\$ 38,466</u>	<u>\$ 0</u>	<u>\$ 7,778,112</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE L – FIXED ASSETS (CONTINUED)

The Airport Capital Improvement had construction in progress of \$111,546 at December 31, 2004. The Airport is in the preliminary stages of a five-year facilities plan. Construction is expected to be completed in 2009. Total cost is expected to be \$2,290,000. Funding is expected as follows: Federal share \$2,175,500, State share \$57,250 and local share \$57,250.

NOTE M - LONG-TERM DEBT

There are a number of limitations and restrictions contained in the various debt instruments. The County is in compliance with all significant limitations and restrictions.

The following is a summary of bond, note and installment debt transactions of the County for the year ended December 31, 2004.

	Bonds, Notes and Contracts Payable at January 1, <u>2004</u>	New Debt <u>Incurred</u>	Debt <u>Retired</u>	Bonds, Notes and Contracts Payable at December 31, <u>2004</u>
<u>Primary Government</u>				
General obligation indebtedness	\$ 550,000		\$ 55,000	\$ 495,000
Note payable to bank	<u>76,541</u>		<u>14,377</u>	<u>62,164</u>
Total Primary Government	\$ 626,541		\$ 69,377	\$ 557,164
<u>Component Units</u>				
Note payable to bank		\$ 59,686	\$ 2,448	\$ 57,238
Capital lease payable	<u>\$ 1,715,000</u>	<u></u>	<u>95,000</u>	<u>1,620,000</u>
Total Component Units	<u>\$ 1,715,000</u>	<u>\$ 59,686</u>	<u>\$ 97,448</u>	<u>\$ 1,677,238</u>
	<u>\$ 2,341,541</u>	<u>\$ 59,686</u>	<u>\$ 166,825</u>	<u>\$ 2,234,402</u>

Total interest expense for the year was \$32,693 for the Primary Government and \$124,217 for the Component Unit.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE M - LONG-TERM DEBT (CONTINUED)

The Water Supply System and Sewage Disposal System bonds presented below were used to finance prior years' Department of Public Works capital outlay projects. The Water Supply and Sewage Disposal bonds were issued under the provisions of Act 185, Public Acts of Michigan, 1957, as amended. These bonds are payable primarily from the proceeds of certain specified contractual payments to be made to the County by the City of Ironwood, Michigan, pursuant to contracts referred to in the bonds.

The notes payable were used to finance a snowblower at the airport and four automobiles for the Mental Health Authority.

The following is a summary of the County's long-term debt outstanding as of December 31, 2004:

	Interest Rate	Maturing Through	Principal Outstanding
<u>Primary Government</u>			
General obligation indebtedness:			
1990 Water Supply System Bonds	6.80-7.40%	2010	\$ 175,000
1991 Sewage Disposal System Bonds	6.90-7.10%	2011	<u>320,000</u>
	Total General Obligation Indebtedness		\$ 495,000
Note payable to bank	3.75%	2008	<u>62,164</u>
	Total Primary Government		\$ 557,164
<u>Component Units</u>			
Note payable to bank	4.40%	2008	\$ 57,238
Capital lease payable	6.90-7.875%	2015	<u>1,620,000</u>
	Total Component Units		\$ <u>1,677,238</u>
	TOTAL LONG-TERM DEBT		\$ <u>2,234,402</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE M - LONG-TERM DEBT (CONTINUED)

The annual principal and interest requirements to maturity for all long-term indebtedness outstanding are as follows:

	Year ending December 31,						
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010-2014</u>	<u>2015</u>
<u>Primary Government</u>							
General obligation	\$ 95,380	\$ 96,154	\$ 96,528	\$ 96,528	\$ 96,145	\$ 159,304	\$ 0
Note payable to bank	<u>17,038</u>	<u>17,038</u>	<u>17,038</u>	<u>12,779</u>			
Total Primary Government	\$ 112,418	\$ 113,192	\$ 113,566	\$ 109,307	\$ 96,145	\$ 159,304	\$ 0
<u>Component Unit</u>							
Note payable to bank	\$ 14,906	\$ 16,277	\$ 16,277	\$ 15,110			
Capital lease payable	<u>220,790</u>	<u>223,490</u>	<u>220,558</u>	<u>221,631</u>	<u>221,556</u>	<u>1,082,696</u>	<u>213,072</u>
Total Component Unit	\$ 235,696	\$ 239,767	\$ 236,835	\$ 236,741	\$ 221,556	\$ 1,082,696	\$ 213,072
	<u>\$ 348,114</u>	<u>\$ 352,959</u>	<u>\$ 350,401</u>	<u>\$ 346,048</u>	<u>\$ 317,701</u>	<u>\$ 1,242,000</u>	<u>\$ 213,072</u>

NOTE N - COMMUNITY MENTAL HEALTH AUTHORITY BUILDING LEASE

During February 1995 the Authority entered into a lease with a nonprofit corporation to rent an administrative building and a group home. The lease is for 20 years and the payments are to be sufficient to provide for the principal and interest due on the \$2,300,000 of bonds issued by the nonprofit corporation to construct the buildings. At the end of the lease, the ownership of the buildings is to be turned over to Gogebic County with no financial obligation to the County and for the County to manage at its discretion. An amount equal to the principal value of the bonds has been capitalized and recorded in the Authority's Statement of Net Assets. The required lease payments are sufficient to cover the nonprofit corporation's principal and interest payment due on October 1 and April 1 of each year. A summary of the annual payments for the next five years and to maturity follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 100,000	\$ 120,790	\$ 220,790
2006	110,000	113,490	223,490
2007	115,000	105,558	220,558
2008	125,000	96,631	221,631
2009	135,000	86,556	221,556
2010-2014	830,000	252,696	1,082,696
2015	<u>205,000</u>	<u>8,072</u>	<u>213,072</u>
	<u>\$ 1,620,000</u>	<u>\$ 783,793</u>	<u>\$ 2,403,793</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE O - OPERATING LEASES

During the year the Community Mental Health Authority leased buildings for various programs and paid \$25,495 under operating leases.

Western U.P. Manpower Consortium leases office space under various operating leases. Rent expense for 2004 was \$92,139. The Consortium also leases various buildings and equipment for specific programs on a short-term basis. Rent expense for these types of rental agreements is minimal.

Future minimum rental payments for each of the five years ending December 31, 2009, excluding payments on the Community Mental Health Authority building lease described in Note N above, are:

2005	\$23,955
2006	23,955
2007	23,955
2008	23,955
2009	23,955

NOTE P - ACCUMULATED ABSENCES AND POST EMPLOYMENT BENEFITS

Under contracts negotiated with employees, individual employees have a vested right to receive payments for unused sick, personal and vacation leave. The dollar amount of these vested rights, which is recorded in the financial statements as a liability as of December 31, 2004, is \$596,593 for the primary government and \$605,277 for discretely presented component units.

Following is a summary of employment policies related to accumulated absences:

General County Operations

Sick leave is earned in varying amounts depending upon union or nonunion employee status, is generally limited to 1 or 1-1/4 day for each completed monthly period of service and may generally be accumulated in unlimited amounts.

General County employees receive cash payment upon retirement of one-half of accumulated sick days at \$50 per day with an 80-day maximum payout. Certain appointed officials receive cash payment of one-half of accumulated sick days at current salary rates. The sick leave liability recorded in the financial statements represents only that amount that would be payable should an employee retire.

Vacation pay is not paid upon termination of employment. No liability for unused vacation pay is reported in the County's financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE P - ACCUMULATED ABSENCES AND POST EMPLOYMENT BENEFITS (CONTINUED)

Community Mental Health Authority

The Community Mental Health Authority has a written policy providing for payment for sick, personal and vacation leave. All compensated absences are combined as Paid Time Off and the employees have the option of selling sick leave back to the Community Mental Health Authority or converting it to Paid Time Off at a ratio of two for one. Each employee's accumulated Paid Time Off is computed by applying current rates of pay times total accumulated hours, as limited by the policy. The total, \$274,411, is reported in the financial statements as a liability of the Community Mental Health Authority in accordance with State of Michigan requirements.

Gogebic County Transit

Gogebic County Transit has a written policy providing for payment of sick and vacation leave. Payment in lieu of accrued sick leave is limited to \$20 per day for one-half of accumulated leave days. Payment of vacation leave upon termination of employment is limited to thirty leave days. Each employee's accumulated vacation and sick pay is computed by applying his current rate of pay times total accumulated leave, subject to the limits. The total, \$14,632, is reported in the financial statements as a liability.

Road Commission

Road Commission employment policies provide that each full-time employee shall earn one day of sick leave credit for each month of service. Sick leave credits may be accumulated to a maximum of 120 days. Payment of 50% of accumulated benefits will be made when an employee dies, is discharged or laid off and 60% of benefits paid at normal retirement. 25% of accumulated benefits is made to an employee who voluntarily separates from employment with the Road Commission. The total, \$313,372, is reported in the financial statements as a liability.

Western U.P. Manpower Consortium

Consortium employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of the employee. The Consortium records expenditures for vacation at the time it is used or when paid out at the time of retirement. A liability of \$17,494 is recorded in the financial statements at December 31, 2004.

Post Employment Benefits

There were no post employment benefits, other than retirement benefits, available to employees of the County.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE Q - RETIREMENT SYSTEM

Gogebic County administers a defined benefit pension plan--Gogebic County Employees Retirement System. The plan's assets may be used only for the payment of benefits to the members of that plan, in accordance with the terms of the plan.

Summary of Significant Accounting Policies

Basis of Accounting - Gogebic County's retirement financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments - Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair value.

Plan Description and Contribution Information

Membership of the plan consisted of the following at December 31, 2003, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	181
Terminated plan members entitled to but not yet receiving benefits	20
Active plan members	<u>384</u>
Total	<u>585</u>

Retirement System Pension Plan

Plan Description - Retirement System is a single-employer defined benefit pension plan that covers the employees of Gogebic County, including all departments and agencies. Retirement System provides retirement, disability and death benefits to plan members and their beneficiaries. County ordinance assigns the authority to establish and amend the benefit provisions of the plan to the Board of Commissioners.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE Q - RETIREMENT SYSTEM (CONTINUED)

Member Contributions

General (hired prior to January 1, 1994, or hired after December 31, 1993, with five or more years of service), Medical Care Facility - AFSCME, Road Commission (with eight or more years of service) elected and appointed officials with five or more years of service and WPPA: none.

Community Mental Health: Residential and non-residential pays 6.2% of annual compensation.

General (hired between January 1, 1994 and July 1, 2004, and having less than five years of service) or hired after July 1, 2004, Elected and appointed officials (hired after January 1, 1994 and having less than five years of service), Airport (with less than 5 years of service or hired after July 1, 2004), Manpower, and Road Commission (with less than eight years of service), and Medical Care Facility (non-AFSCME): 3% of the first \$4,200 of annual compensation plus 5% of annual compensation in excess of \$4,200. Effective August 1, 2001, Airport employees contribute 1.0% and General employees contribute an additional 1.0%.

Regular Retirement

Eligibility:

Elected and Appointed Officials	Sum of age and years of service equal 80 with a minimum age of 55, or age 60 with 8 years of service
WPPA (Wisconsin Professional Police Association), Airport Group	Age 55 with 25 years of service, or age 60 with 8 years of service
Manpower Medical Care Facility SEIU Local 79 Community Mental Health	Sum of age and years of service equal 70, or age 60 with 8 years of service
Others	Age 55 with 30 years of service, or age 60 with 8 years of service

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE Q - RETIREMENT SYSTEM (CONTINUED)

Regular Retirement (Continued)

Annual Amount:

Medical Care Facility AFSCME, RN,
SEIU Local 79, Cooks,
Road Commission, Administrator,
Admin Staff and Manpower

Total credited service multiplied by 2.0% of
final average compensation (FAC)

Elected and Appointed Officials, WPPA
and Community Mental Health

Total credited service multiplied by 2.5% of
FAC

General County and Airport

Total credited service multiplied by 2.25%
of FAC

Others

Total credited service multiplied by 1.6% of
FAC

Maximum County-financed portion is 75% of final average compensation.

Type of Final Average Compensation – Generally, highest 5 consecutive years out of last 10 years of credited service, with the following exceptions:

General County members, WPPA, Community Mental Health and Medical Care Facility administrative staff use highest 3 consecutive years out of the last 10 years.

Road Commission members with 30 or more years of service use highest 3 consecutive years out of the last 5 years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE Q - RETIREMENT SYSTEM (CONTINUED)

Deferred Retirement (vested benefit):

Eligibility - Eight years of service. Benefit begins at age 60.

Annual Amount - Same as regular retirement but based upon service and final average compensation at time of termination.

The plan also provides benefits for both duty and non-duty disability and death.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS
(in thousands of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) --Entry Age (b)	(Overfunded) Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	(AAL) UAAL as a Percentage of Covered Payroll ((b - a) / c)
2001	\$28,115	\$26,787	(\$1,328)	105 %	\$10,153	(13%)
2002	29,369	29,615	246	99	11,211	2
2003	30,727	32,290	1,563	95	11,134	14

Year Ended December 31,	Retirement System	
	Annual Required Contribution	Percentage Contributed
2001	\$873,827	100%
2002	936,487	100
2003	929,986	100

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE Q - RETIREMENT SYSTEM (CONTINUED)

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	<u>Retirement System</u>
Valuation date	December 31, 2003
Actuarial cost method	Individual entry age
Amortization method for unfunded accrued liabilities	Level percent open
Remaining amortization period	30 years
Amortization method for temporary funding credits	Level percent open
Remaining amortization period	12 years
Asset valuation method	5-year smoothed market method
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases, including inflation at 4.5%	4.5% - 9%
Cost-of-living adjustments	None

NOTE R - DEFINED CONTRIBUTION PENSION PLAN

All full-time employees of Gogebic County Transit are covered by a simplified employee pension plan administered by Transamerica Occidental Life. The Plan is a defined contribution plan covering all employees who are at least 21 years old and who have performed services for the Transit in at least three of the immediately preceding five years.

The Transit contributes 5 percent of each employee's annual wages. Employees do not make contributions to the Plan. All participants are fully vested immediately. During the year ended September 30, 2004, the Transit made contributions to the Plan of \$9,165.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE S – COMMITMENT

On June 1, 1998, Gogebic County and Wakefield Township entered into a \$450,000 economic development financing agreement (the agreement) with the State of Michigan. The agreement provided 50 percent of the monies needed to develop property (the project) in a State designated Renaissance Zone in Wakefield Township. The agreement was initially funded with a \$450,000 Community Development Block Grant administered by the Michigan Jobs Commission. The remaining 50 percent was provided by the Lac Vieux Desert Band of Chippewa Indians.

The State will offset any monies it advances under the agreement via application of a formula that provides for a \$20,000 reduction for each qualifying new job created. Any shortfall will become a liability of both Wakefield Township and Gogebic County on May 31, 2005. A repayment schedule will be determined by the State at that time if necessary. Gogebic County and Wakefield Township have each pledged all payments they are eligible to receive under 1971 PA 140 as collateral for any State advances not offset by new job creation. Wakefield Township has committed to reimbursing the County for any County liability incurred.

All administrative, financial and reporting responsibilities have been assumed by Wakefield Township. Accordingly, financial statements relating to the project are included in the Township's annual financial statements.

NOTE T - DEFERRED COMPENSATION PLANS

The County offers its employees a choice of several deferred compensation plans created in accordance with Internal Revenue Code Section 457. Because the County does not have an established trust agreement with the Plan trustees, does not provide investment advice and does not administer the Plan, the County has not established a fiduciary relationship with the Plan. Therefore, the Plan assets are not included in the financial statements of the County.

NOTE U – COMMUNITY MENTAL HEALTH AUTHORITY

Medicaid Funding

Effective October 1, 2002, the Authority began operation within the newly formed Prepaid Inpatient Health Plan called Northcare Network. Northcare Network, which is a part of Pathways Behavioral Health, is an affiliation formed between the five Upper Peninsula Community Mental Health Authorities for managed care. The Michigan Department of Community Health's reorganization plan required payment of managed care Medicaid funding be paid only to managed care organizations areas that have 20,000 or more Medicaid eligible individuals within their catchment area. The Authority does not have 20,000 Medicaid eligible individuals within their catchment area and elected to become part of the alliance with the five Upper Peninsula Community Mental Health Authorities to meet this requirement. The Authority holds a contract with the Michigan Department of Community Health for General Funds and with Pathways Behavioral Health, which holds a contract with the Michigan Department of Community Health for Managed Care/Medicaid funding.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE U – COMMUNITY MENTAL HEALTH AUTHORITY (CONTINUED)

Social Security

At the time of the operation status change, the Authority had the ability to elect Social Security coverage, set up a benefit to replace Social Security or do nothing. The Authority has deducted 6.2% from its employees and deposited it along with the employer matching amount in a separate cash account restricting it for future use for Social Security or a similar benefit.

On December 2, 2003 employees voted to not be part of the Social Security system. Employees can elect to have the funds already on deposit put in a deferred annuity or receive a cash payment. Going forward the withheld amounts along with the employer matching amount will be allocated between the current retirement plan and a section 401(a) money purchase plan.

NOTE V - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The County maintained five Enterprise Funds during the year ended December 31, 2004. Services provided by the Funds include medical care, airport, forestry, fair and public transportation services. Segment information for the year ended December 31, 2004, was as follows:

	Medical Care Facility	Airport Operating	Capital Improvement
Operating revenues	\$ 7,377,119	\$ 290,960	\$ 7,500
Operating expenses	<u>7,200,939</u>	<u>651,323</u>	<u>52,546</u>
Operating income (loss)	\$ 176,180	\$ (360,363)	\$ (45,046)
Nonoperating revenues (expenses) (excluding tax revenues)	0	12,708	0
Tax revenues	0	0	0
Operating transfers in (out)	0	162,384	(50,500)
Current capital contributions	<u>0</u>	<u>0</u>	<u>610,447</u>
Increase (decrease) in net assets	\$ 176,180	\$ (185,271)	\$ 514,901
Net assets at January 1, 2004	<u>2,027,336</u>	<u>1,888,784</u>	<u>494,145</u>
Net assets at December 31, 2004	<u>\$ 2,203,516</u>	<u>\$ 1,703,513</u>	<u>\$ 1,009,046</u>
Total net assets:			
Invested in capital assets	\$ 1,679,689	\$ 1,718,731	\$ 930,426
Restricted	27,732		
Unrestricted (deficit)	<u>496,095</u>	<u>(15,218)</u>	<u>78,620</u>
Total net assets	<u>\$ 2,203,516</u>	<u>\$ 1,703,513</u>	<u>\$ 1,009,046</u>
Long-term debt - payable from operating revenues (including portion payable within one year)	0		47,202
Total liabilities	621,470	27,783	84,094
Land, buildings and equipment:			
Additions	49,342	0	647,377
Deletions	<u>0</u>	<u>0</u>	<u>0</u>
Net cash provided by (used in):			
Operating activities	\$ 174,223	\$ (205,265)	\$ (7,929)
Capital and related financing activities	(54,436)	0	(32,039)
Noncapital financing activities	0	175,092	(50,500)
Investing activities	<u>0</u>	<u>0</u>	<u>0</u>
Net increase (decrease) in cash and temporary investments	\$ 119,787	\$ (30,173)	\$ (90,468)
Cash and temporary investments at January 1, 2004	<u>342,587</u>	<u>19,869</u>	<u>191,018</u>
Cash and temporary investments at December 31, 2004	<u>\$ 462,374</u>	<u>\$ (10,304)</u>	<u>\$ 100,550</u>

STATEMENTS (CONTINUED)

<u>Forestry Commission</u>	<u>Fair Board</u>	<u>Gogebic County Transit</u>	<u>Total Enterprise Funds</u>
\$ 427,843	\$ 124,423	\$ 45,064	\$ 8,272,909
<u>327,732</u>	<u>193,441</u>	<u>504,970</u>	<u>8,930,951</u>
\$ 100,111	\$ (69,018)	\$ (459,906)	\$ (658,042)
2,644	49,505	203,731	268,588
0	0	123,357	123,357
(119,736)	3,000	0	(4,852)
<u>0</u>	<u>0</u>	<u>56,312</u>	<u>666,759</u>
\$ (16,981)	\$ (16,513)	\$ (76,506)	\$ 395,810
<u>730,553</u>	<u>712,396</u>	<u>835,576</u>	<u>6,688,790</u>
<u>\$ 713,572</u>	<u>\$ 695,883</u>	<u>\$ 759,070</u>	<u>\$ 7,084,600</u>
\$ 512,079	\$ 672,103	\$ 541,370	\$ 6,054,398
25,000		3,316	56,048
<u>176,493</u>	<u>23,780</u>	<u>214,384</u>	<u>974,154</u>
<u>\$ 713,572</u>	<u>\$ 695,883</u>	<u>\$ 759,070</u>	<u>\$ 7,084,600</u>
0	0	0	47,202
30,312	0	36,616	800,275
62,757	16,347	56,312	832,135
0	0	61,060	61,060
\$ 125,502	\$ (55,212)	\$ (331,426)	\$ (300,107)
(62,757)	(16,347)	3,812	(161,767)
(119,736)	55,730	325,007	385,593
<u>2,644</u>	<u>0</u>	<u>(52,468)</u>	<u>(49,824)</u>
<u>\$ (54,347)</u>	<u>\$ (15,829)</u>	<u>\$ (55,075)</u>	<u>\$ (126,105)</u>
<u>286,152</u>	<u>39,288</u>	<u>247,535</u>	<u>1,126,449</u>
<u>\$ 231,805</u>	<u>\$ 23,459</u>	<u>\$ 192,460</u>	<u>\$ 1,000,344</u>

REQUIRED
SUPPLEMENTAL
INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2004

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 2,579,378	\$ 2,591,470	\$ 2,564,661
Licenses and permits	22,450	24,450	26,745
Federal grants	331,944	500,049	453,177
State grants	885,915	899,045	820,483
Contributions from local units	93,175	105,475	90,845
Charges for services	647,000	702,865	718,823
Fines and forfeits	38,739	38,739	32,830
Interest and rents	78,120	78,120	74,685
Other revenues	<u>36,500</u>	<u>53,646</u>	<u>52,135</u>
Total Revenues	\$ 4,713,221	\$ 4,993,859	\$ 4,834,384
Expenditures:			
Current expenditures:			
Legislative	\$ 62,800	\$ 62,800	\$ 75,169
Judicial	779,779	790,779	792,630
General government	1,037,911	1,051,340	997,074
Public safety	1,249,332	1,472,049	1,415,281
Health and welfare	324,215	383,623	398,253
Other functions	1,378,862	1,378,862	1,351,918
Capital outlay	<u>13,946</u>	<u>77,097</u>	<u>52,475</u>
Total Expenditures	\$ 4,846,845	\$ 5,216,550	\$ 5,082,800
(Deficiency) of Revenues Over Expenditures	\$ (133,624)	\$ (222,691)	\$ (248,416)
Other financing sources -			
Operating transfers in	<u>3,623</u>	<u>70,975</u>	<u>70,975</u>
(Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	\$ (130,001)	\$ (151,716)	\$ (177,441)
Fund balance at January 1, 2004	<u>411,772</u>	<u>411,772</u>	<u>411,772</u>
FUND BALANCE AT DECEMBER 31, 2004	<u>\$ 281,771</u>	<u>\$ 260,056</u>	<u>\$ 234,331</u>

The accompanying notes are an integral part of the financial statements.

OTHER
FINANCIAL
INFORMATION

COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2004

	General Fund	Special Revenue Funds	Debt Service Fund	Total
ASSETS				
Cash	\$ 213,144	\$ 811,428	\$ 168	\$ 1,024,740
Receivables (net, where applicable, of allowances for uncollectibles):				
Taxes	2,661,569			2,661,569
State of Michigan	83,869	71,822		155,691
Notes		46,236		46,236
Other	37,209	19,487		56,696
Due from other funds	<u> </u>	<u>5,000</u>	<u> </u>	<u>5,000</u>
	<u>\$ 2,995,791</u>	<u>\$ 953,973</u>	<u>\$ 168</u>	<u>\$ 3,949,932</u>
LIABILITIES AND COUNTY EQUITY				
Accounts payable	\$ 79,582	\$ 91,404		\$ 170,986
Salaries and wages and related liabilities	2,411			2,411
Deferred revenues	2,676,501	46,236		2,722,737
Due to other funds	<u>2,966</u>	<u> </u>	<u> </u>	<u>2,966</u>
Total Liabilities	<u>\$ 2,761,460</u>	<u>\$ 137,640</u>	<u>\$ 0</u>	<u>\$ 2,899,100</u>
County equity:				
Fund balance:				
Reserved	\$ 46,485	\$ 3,169	\$ 168	\$ 49,822
Unreserved	<u>187,846</u>	<u>813,164</u>	<u> </u>	<u>1,001,010</u>
Total County Equity	<u>\$ 234,331</u>	<u>\$ 816,333</u>	<u>\$ 168</u>	<u>\$ 1,050,832</u>

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2004

	General Fund	Special Revenue Funds	Debt Service Fund	Total
Revenues:				
Taxes	\$ 2,564,661	\$ 664,177		\$ 3,228,838
Licenses and permits	26,745			26,745
Federal grants	453,177	76,159		529,336
State grants	820,483	323,990		1,144,473
Contributions from local units	90,845	22,444	\$ 94,547	207,836
Charges for services	718,823	167,336		886,159
Fines and forfeits	32,830			32,830
Interest and rents	74,685	138		74,823
Other revenues	<u>52,135</u>	<u>114,107</u>		<u>166,242</u>
Total Revenues	\$ 4,834,384	\$ 1,368,351	\$ 94,547	\$ 6,297,282
Expenditures:				
Current expenditures:				
Legislative	\$ 75,169			\$ 75,169
Judicial	792,630	\$ 9,948		802,578
General government	997,074			997,074
Public safety	1,415,281	90,715		1,505,996
Health and welfare	398,253	810,467		1,208,720
Recreation and culture		78,930		78,930
Other functions	1,351,918			1,351,918
Capital outlay	52,475	70,112		122,587
Debt service			\$ 94,391	94,391
Total Expenditures	\$ 5,082,800	\$ 1,060,172	\$ 94,391	\$ 6,237,363
Excess (Deficiency) of Revenues Over Expenditures	\$ (248,416)	\$ 308,179	\$ 156	\$ 59,919
Other financing sources - Operating transfers in	<u>70,975</u>	<u>244,775</u>		<u>315,750</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	\$ (177,441)	\$ 552,954	\$ 156	\$ 375,669
Fund balance at January 1, 2004	<u>411,772</u>	<u>263,379</u>	<u>12</u>	<u>675,163</u>
FUND BALANCE AT DECEMBER 31, 2004	<u>\$ 234,331</u>	<u>\$ 816,333</u>	<u>\$ 168</u>	<u>\$ 1,050,832</u>

The accompanying notes are an integral part of the financial statements.

BALANCE SHEET - GENERAL FUND

GOGEBIC COUNTY, MICHIGAN

December 31, 2004

ASSETS

Cash		\$	213,144
Receivables:			
Current property taxes	\$	2,585,133	
Delinquent personal property taxes		76,436	
State of Michigan		83,869	
Other		<u>37,209</u>	<u>2,782,647</u>
			<u>\$ 2,995,791</u>

LIABILITIES AND FUND BALANCE

Liabilities:			
Accounts payable		\$	79,582
Salaries and wages			2,411
Deferred revenue			2,676,501
Due to other funds			<u>2,966</u>
	Total Liabilities	\$	2,761,460
Fund balance:			
Reserved for maintenance of effort	\$	46,485	
Unreserved		<u>187,846</u>	<u>234,331</u>
			<u>\$ 2,995,791</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES - ESTIMATED AND ACTUAL - GENERAL FUND

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2004

	Estimated Revenue	Actual Revenue	Variance Favorable (Unfavorable)
Taxes:			
Current property taxes (net of chargebacks):			
General operating	\$ 2,267,943	\$ 2,235,883	\$ (32,060)
Medical Care Facility maintenance of effort	180,078	182,711	2,633
Animal control	68,457	69,697	1,240
Delinquent property taxes	4,500	5,390	890
Commercial forest reserve	62,092	62,092	
Other taxes	<u>8,400</u>	<u>8,888</u>	<u>488</u>
	\$ 2,591,470	\$ 2,564,661	\$ (26,809)
Licenses and permits	24,450	26,745	2,295
Federal grants:			
Payment in lieu of taxes	\$ 299,587	\$ 299,587	
Cooperative reimbursements	33,044	34,372	\$ 1,328
Emergency management performance	7,740	7,659	(81)
2002 State Domestic Preparedness	683	683	
2002 FEMA supplemental planning	13,024	13,024	
2003 State Homeland Security	520	520	
2003 State Homeland Security Part II	16,855	7,744	(9,111)
2003 State Homeland Training	1,639	1,639	
2004 Homeland Security	110,899	60,682	(50,217)
2004 Law Enforcement Terrorism	13,658	25,212	11,554
Emergency planning		255	255
Other federal grants	<u>2,400</u>	<u>1,800</u>	<u>(600)</u>
	\$ 500,049	\$ 453,177	\$ (46,872)
State grants:			
State revenue sharing	\$ 164,726	\$ 164,726	
Single business tax	18,453		\$ (18,453)
Cigarette tax	8,379		(8,379)
Liquor fees	29,951	29,659	(292)
Judges' salary supplement	247,956	253,280	5,324
School liaison	58,668	37,735	(20,933)
Court funding	147,000	143,207	(3,793)
Sheriff and marine safety grants	120,793	85,918	(34,875)
Survey and remonumentation	74,147	74,147	
Prisoner work release fees	5,000	3,620	(1,380)
Juvenile incentive	<u>23,972</u>	<u>28,191</u>	<u>4,219</u>
	\$ 899,045	\$ 820,483	\$ (78,562)

STATEMENT OF REVENUES - ESTIMATED AND ACTUAL - GENERAL FUND (CONTINUED)

	Estimated Revenue	Actual Revenue	Variance Favorable (Unfavorable)
Contributions from local units:			
Ontonagon County district court costs	\$ 10,500	\$ 11,278	\$ 778
Township liquor licenses	8,200	11,408	3,208
Wage reimbursements	<u>86,775</u>	<u>68,159</u>	<u>(18,616)</u>
	\$ 105,475	\$ 90,845	\$ (14,630)
Charges for services:			
Departmental fees and services	\$ 404,695	\$ 415,484	\$ 10,789
Sheriff law enforcement services	<u>298,170</u>	<u>303,339</u>	<u>5,169</u>
	\$ 702,865	\$ 718,823	\$ 15,958
Fines and forfeits	38,739	32,830	(5,909)
Interest and rents:			
Interest earned	\$ 35,000	\$ 31,569	\$ (3,431)
Rentals and leases	<u>43,120</u>	<u>43,116</u>	<u>(4)</u>
	\$ 78,120	\$ 74,685	\$ (3,435)
Other revenues:			
Refunds and rebates	\$ 46,146	\$ 41,535	\$ (4,611)
Miscellaneous	<u>7,500</u>	<u>10,600</u>	<u>3,100</u>
	<u>\$ 53,646</u>	<u>\$ 52,135</u>	<u>\$ (1,511)</u>
Total Revenues	\$ 4,993,859	\$ 4,834,384	\$ (159,475)
Other financing sources:			
Operating transfers in:			
Internal Service Fund	\$ 348,212	\$ 348,212	
Forestry Commission	80,000	80,000	
Airport Capital Improvement Fund	50,000	50,000	
Revenue Sharing Reserve Fund	<u>109,647</u>	<u>109,647</u>	
	<u>\$ 587,859</u>	<u>\$ 587,859</u>	<u>\$ 0</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 5,581,718</u>	<u>\$ 5,422,243</u>	<u>\$ (159,475)</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF APPROPRIATIONS AND EXPENDITURES - GENERAL FUND

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2004

	Appropriations	Expenditures	Variance Favorable (Unfavorable)
Current Expenditures:			
Legislative - Board of Commissioners	\$ 62,800	\$ 75,169	\$ (12,369)
Judicial:			
Circuit court	\$ 135,053	\$ 145,425	\$ (10,372)
District court	227,978	216,014	11,964
Probate court	331,226	336,908	(5,682)
Probate court - Juvenile Program	23,972	21,960	2,012
Indigent attorney contract	69,000	69,222	(222)
Jury commission	<u>3,550</u>	<u>3,101</u>	<u>449</u>
	\$ 790,779	\$ 792,630	\$ (1,851)
General government:			
Administration	\$ 55,142	\$ 54,984	\$ 158
Elections	27,334	20,246	7,088
Clerk/Register of Deeds	187,960	187,124	836
Equalization	124,417	94,550	29,867
Prosecuting Attorney	182,668	184,320	(1,652)
Survey and remonumentation	74,146	74,146	
Treasurer	108,585	106,186	2,399
Data processing	42,337	41,726	611
Building and grounds	143,492	140,399	3,093
Cooperative extension	77,596	77,592	4
Plat Board	162		162
Drain Commissioner	1	1	
Audit	<u>27,500</u>	<u>15,800</u>	<u>11,700</u>
	\$ 1,051,340	\$ 997,074	\$ 54,266
Public safety:			
Sheriff department	\$ 829,721	\$ 839,574	\$ (9,853)
Sheriff department - Bessemer City	115,697	109,114	6,583
Sheriff department - Wakefield City	130,817	127,952	2,865
Sheriff department - road patrol	51,728	46,597	5,131
Marine law enforcement	16,329	8,790	7,539
ORV law enforcement	15,001	9,446	5,555
School liaison program	48,959	41,774	7,185
Snowmobile enforcement	22,357	14,984	7,373
Emergency services	128,769	113,647	15,122
Terrorism planning	16,240	7,327	8,913
Animal control	<u>96,431</u>	<u>96,076</u>	<u>355</u>
	\$ 1,472,049	\$ 1,415,281	\$ 56,768

STATEMENT OF APPROPRIATIONS AND EXPENDITURES - GENERAL FUND (CONTINUED)

	Appropriations	Expenditures	Variance Favorable (Unfavorable)
Current Expenditures: (Continued)			
Health and welfare:			
District health	\$ 102,283	\$ 102,283	
Veterans affairs	18,619	18,619	
Medical Care Facility maintenance of effort	180,078	189,625	\$ (9,547)
Medical examiners	11,000	21,345	(10,345)
Soldiers and sailors relief	7,000	2,520	4,480
Soil erosion	19,800	18,026	1,774
Soil conservation	1,000	1,000	
Western U.P. Substance Abuse	14,975	14,830	145
Commission on Aging	10,000	10,000	
Western U.P. Planning and Regional Development	7,454	7,454	
U.P.C.A.P.	800	800	
Family Independence Agency	700	700	
Cigarette tax	5,914	7,051	(1,137)
Human Services Coordinating Board	<u>4,000</u>	<u>4,000</u>	
	\$ 383,623	\$ 398,253	\$ (14,630)
Other functions:			
Employees' health insurance	\$ 802,225	\$ 753,550	\$ 48,675
Insurance, bonds and fringes	103,747	120,715	(16,968)
Unemployment compensation	10,000	5,615	4,385
Workers' compensation	63,000	81,890	(18,890)
Employees' retirement	330,000	307,983	22,017
Prescription co-pay	29,000	38,103	(9,103)
Optical reimbursements	21,500	21,357	143
Tax reimbursements	490	4,092	(3,602)
Duplicating and office supplies	<u>18,900</u>	<u>18,613</u>	<u>287</u>
	\$ <u>1,378,862</u>	\$ <u>1,351,918</u>	\$ <u>26,944</u>
Total Current Expenditures	\$ 5,139,453	\$ 5,030,325	\$ 109,128
Capital outlay	<u>77,097</u>	<u>52,475</u>	<u>24,622</u>
Total Expenditures	\$ 5,216,550	\$ 5,082,800	\$ 133,750

STATEMENT OF APPROPRIATIONS AND EXPENDITURES - GENERAL FUND (CONTINUED)

	Appropriations	Expenditures	Variance Favorable (Unfavorable)
Other financing uses - appropriation transfers out:			
Mental Health Fund	\$ 65,000	\$ 65,000	
Child Care Fund	250,000	250,000	
Economic Development Commission	10,000	10,000	
Friend of Court	20,000	20,000	
Law Library Fund	7,000	7,000	
Airport:			
Operating	154,384	154,384	
Capital Improvement	7,500	7,500	
Fair Board	<u>3,000</u>	<u>3,000</u>	
	<u>\$ 516,884</u>	<u>\$ 516,884</u>	<u>\$ 0</u>
 TOTAL EXPENDITURES AND OTHER FINANCING USES	 <u>\$ 5,733,434</u>	 <u>\$ 5,599,684</u>	 <u>\$ 133,750</u>

The accompanying notes are an integral part of the financial statements.

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2004

	Revenue Sharing Reserve Fund	Child Care Fund	Economic Development Commission	Friend of the Court Fund	Community Development Block Grant Fund	Other Special Revenue Funds*	Totals
ASSETS							
Cash (overdraft)	\$ 357,552	\$ 132,497	\$ 27,021	\$ (13,454)	\$ 3,169	\$ 304,643	\$ 811,428
Receivables:							
State of Michigan				43,426	28,396		71,822
Notes from individuals					46,236		46,236
Other						19,487	19,487
Due from other funds						5,000	5,000
	<u>\$ 357,552</u>	<u>\$ 132,497</u>	<u>\$ 27,021</u>	<u>\$ 29,972</u>	<u>\$ 77,801</u>	<u>\$ 329,130</u>	<u>\$ 953,973</u>

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS (CONTINUED)

	Revenue Sharing Reserve Fund	Child Care Fund	Economic Development Commission	Friend of the Court Fund	Community Development Block Grant Fund	Other Special Revenue Funds*	Totals
Liabilities:							
Accounts payable		\$ 40,029	\$	119	\$ 28,396	\$ 22,860	\$ 91,404
Deferred revenue					<u>46,236</u>		<u>46,236</u>
	\$ 0	\$ 40,029	\$ 0	\$ 119	\$ 74,632	\$ 22,860	\$ 137,640
Fund Balance:							
Reserved	\$ 357,552	\$ 92,468	\$ 27,021	\$ 29,853	\$ 3,169	\$ 306,270	\$ 813,164
Unreserved	\$ 357,552	\$ 92,468	\$ 27,021	\$ 29,853	\$ 3,169	\$ 306,270	\$ 816,333
	<u>\$ 357,552</u>	<u>\$ 132,497</u>	<u>\$ 27,021</u>	<u>\$ 29,972</u>	<u>\$ 77,801</u>	<u>\$ 329,130</u>	<u>\$ 953,973</u>

LIABILITIES AND FUND BALANCE

NOTES: The date of the balance sheet of Community Development Block Grant Fund is September 30, 2004.

* Detail on pages 88 and 89.

The accompanying notes are an integral part of the financial statements.

COMBINING BALANCE SHEET - OTHER SPECIAL REVENUE FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2004

	County Parks Fund	Law Library Fund	Drug Enforcement Fund	Veterans' Trust Fund	Michigan Justice Training Fund	Crime Victims' Rights Fund	911 Service Fund	Senior Citizens Programs Fund
ASSETS								
Cash	\$ 16,425	\$ 1,505	\$ 102	\$ 374	\$ 5,311	\$ 14,582	\$ 205,225	
Receivables - Other								\$ 19,487
Due from other funds		5,000						
	<u>\$ 16,425</u>	<u>\$ 6,505</u>	<u>\$ 102</u>	<u>\$ 374</u>	<u>\$ 5,311</u>	<u>\$ 14,582</u>	<u>\$ 205,225</u>	<u>\$ 19,487</u>
LIABILITIES AND FUND BALANCE								
Liability - Accounts payable	\$ 2,196	\$ 304					\$ 790	\$ 19,487
Fund Balance - unreserved	<u>14,229</u>	<u>6,201</u>	<u>102</u>	<u>374</u>	<u>5,311</u>	<u>14,582</u>	<u>204,435</u>	
	<u>\$ 16,425</u>	<u>\$ 6,505</u>	<u>\$ 102</u>	<u>\$ 374</u>	<u>\$ 5,311</u>	<u>\$ 14,582</u>	<u>\$ 205,225</u>	<u>\$ 19,487</u>

NOTE: The date of the balance sheet of the Senior Citizens Programs Fund is September 30, 2004.

COMBINING BALANCE SHEET - OTHER SPECIAL REVENUE FUNDS (CONTINUED)

	Register of Deeds Automation Fund	Gogebic County Search and Rescue Fund	Probation Supervision Restitution Fund	Drunk Driving Impact Panel Fund	Dare Fund	Little Girl's Point Camp Fund	Victims Advocacy Fund	Drug Forfeiture Fund	Totals
ASSETS									
Cash	\$ 38,284	\$ 1,566	\$ 9,577	\$ 203	\$ 1,195	\$ 200	\$ 7,321	\$ 2,773	\$ 304,643
Receivables - Other									19,487
Due from other funds									5,000
	<u>\$ 38,284</u>	<u>\$ 1,566</u>	<u>\$ 9,577</u>	<u>\$ 203</u>	<u>\$ 1,195</u>	<u>\$ 200</u>	<u>\$ 7,321</u>	<u>\$ 2,773</u>	<u>\$ 329,130</u>
LIABILITIES AND FUND BALANCE									
Liability - Accounts payable							\$ 83		\$ 22,860
Fund Balance - unreserved	<u>\$ 38,284</u>	<u>\$ 1,566</u>	<u>\$ 9,577</u>	<u>\$ 203</u>	<u>\$ 1,195</u>	<u>\$ 200</u>	<u>\$ 7,238</u>	<u>\$ 2,773</u>	<u>\$ 306,270</u>
	<u>\$ 38,284</u>	<u>\$ 1,566</u>	<u>\$ 9,577</u>	<u>\$ 203</u>	<u>\$ 1,195</u>	<u>\$ 200</u>	<u>\$ 7,321</u>	<u>\$ 2,773</u>	<u>\$ 329,130</u>

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2004

	Revenue Sharing Reserve Fund	Child Care Fund	Economic Development Commission	Friend of the Court Fund	Community Development Block Grant Fund	Other Special Revenue Funds*	Totals
Revenues:							
Taxes	\$ 467,199					\$ 196,978	\$ 664,177
Federal grants					\$ 76,159		76,159
State grants		\$ 15,000		\$ 216,699		92,291	323,990
Contributions from local units			\$ 22,444				22,444
Charges for services		31,001		10,639		125,696	167,336
Interest and rents			138				138
Other revenues					27,764	86,343	114,107
	\$ 467,199	\$ 46,001	\$ 22,582	\$ 227,338	\$ 103,923	\$ 501,308	\$ 1,368,351
Expenditures:							
Current:							
Judicial						\$ 9,948	\$ 9,948
Public safety						90,715	90,715
Health and welfare		\$ 207,568	\$ 25,442	\$ 253,253	\$ 115,384	208,820	810,467
Recreation and culture						78,930	78,930
Capital outlay						70,112	70,112
	\$ 0	\$ 207,568	\$ 25,442	\$ 253,253	\$ 115,384	\$ 458,525	\$ 1,060,172

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS (CONTINUED)

	Revenue Sharing Reserve Fund	Child Care Fund	Economic Development Commission	Friend of the Court Fund	Community Development Block Grant Fund	Other Special Revenue Funds*	Totals
Excess (Deficiency) of Revenues Over Expenditures	\$ 467,199	\$ (161,567)	\$ (2,860)	\$ (25,915)	\$ (11,461)	\$ 42,783	\$ 308,179
Other financing sources - operating transfers in (out)	(109,647)	250,000	19,000	20,000		65,422	244,775
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	\$ 357,552	\$ 88,433	\$ 16,140	\$ (5,915)	\$ (11,461)	\$ 108,205	\$ 552,954
Fund balance at January 1, 2004		4,035	10,881	35,768	14,630	198,065	263,379
FUND BALANCE							
AT DECEMBER 31, 2004	\$ 357,552	\$ 92,468	\$ 27,021	\$ 29,853	\$ 3,169	\$ 306,270	\$ 816,333

NOTES: The fiscal year of the Community Development Block Grant Fund is October 1, 2003 to September 30, 2004.

*Detail on page 92 and 93.

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - OTHER SPECIAL REVENUE FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2004

	County Parks Fund	Law Library Fund	Drug Enforcement Fund	Veterans' Trust Fund	Michigan Justice Training Fund	Crime Victims' Rights Fund	911 Service Fund	Senior Citizens Programs Fund
Revenues:								
Taxes								
State grants				\$ 794	\$ 3,611	\$ 4,125	\$ 83,761	\$ 196,978
Charges for services	\$ 81,492							
Other revenues		\$ 2,500	\$ 750		100		59,932	11,357
Expenditures:	\$ 81,492	\$ 2,500	\$ 750	\$ 794	\$ 3,711	\$ 4,125	\$ 143,693	\$ 208,335
Current:								
Judicial		\$ 7,309						
Public safety			\$ 2,331		\$ 4,323	\$ 366	\$ 61,092	\$ 208,335
Health and welfare				\$ 485				
Recreational and culture	\$ 73,191							
	\$ 73,191	\$ 7,309	\$ 2,331	\$ 485	\$ 4,323	\$ 366	\$ 61,092	\$ 208,335
Excess (Deficiency) of								
Revenues Over Expenditures	\$ 8,301	\$ (4,809)	\$ (1,581)	\$ 309	\$ (612)	\$ 3,759	\$ 82,601	\$ 0
Other financing source - operating transfers in		7,000						
Excess (Deficiency) of								
Revenues and Other Financing								
Source Over Expenditures	\$ 8,301	\$ 2,191	\$ (1,581)	\$ 309	\$ (612)	\$ 3,759	\$ 82,601	\$ 0
Fund balance at January 1, 2004	5,928	4,010	1,683	65	5,923	10,823	121,834	0
FUND BALANCE AT DECEMBER 31, 2004	\$ 14,229	\$ 6,201	\$ 102	\$ 374	\$ 5,311	\$ 14,582	\$ 204,435	\$ 0

NOTE: The fiscal year of the Senior Citizens Programs Fund is October 1, 2003 to September 30, 2004.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - OTHER SPECIAL REVENUE FUNDS (CONTINUED)

	Register of Deeds Automation Fund	Gogebic County Search and Rescue Fund	Probation Supervision Restitution Fund	Drunk Driving Impact Panel Fund	Dare Fund	Little Girl's Point Camp Fund	Victims Advocacy Fund	Drug Forfeiture Fund	Totals
Revenues:									
Taxes									\$ 196,978
State grants									92,291
Charges for services	\$ 27,067	\$ 3,919	\$ 5,780		\$ 1,232	\$ 5,373	\$ 10,227	\$ 2,310	125,696
Other revenues									86,343
	\$ 27,067	\$ 3,919	\$ 5,780		\$ 1,232	\$ 5,373	\$ 10,227	\$ 2,310	\$ 501,308
Expenditures:									
Current:									
Judicial	\$ 2,639								\$ 9,948
Public safety		\$ 3,326	\$ 1,836		\$ 3,385		\$ 13,094	\$ 962	90,715
Health and welfare									208,820
Recreation and culture						\$ 5,739			78,930
Capital outlay						70,112			70,112
	\$ 2,639	\$ 3,326	\$ 1,836		\$ 3,385	\$ 75,851	\$ 13,094	962	\$ 458,525
Excess (Deficiency) of									
Revenues Over Expenditures	\$ 24,428	\$ 593	\$ 3,944		\$ (2,153)	\$ (70,478)	\$ (2,867)	\$ 1,348	\$ 42,783
Other financing source - operating transfers in						58,422			65,422
Excess (Deficiency) of									
Revenues and Other Financing									
Source Over Expenditures	\$ 24,428	\$ 593	\$ 3,944		\$ (2,153)	\$ (12,056)	\$ (2,867)	\$ 1,348	\$ 108,205
Fund balance at January 1, 2004	13,856	973	5,633	\$ 203	3,348	12,256	10,105	1,425	198,065
FUND BALANCE									
AT DECEMBER 31, 2004	\$ 38,284	\$ 1,566	\$ 9,577	\$ 203	\$ 1,195	\$ 200	\$ 7,238	\$ 2,773	\$ 306,270

The accompanying notes are an integral part of the financial statements.

COMBINING BALANCE SHEET - DEBT SERVICE FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2004

	Water Supply System Bonds	Sewage Disposal System Bonds	Total
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ASSETS

Cash	\$ <u>168</u>	\$ <u>0</u>	\$ <u>168</u>
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FUND BALANCE

Fund balance - reserved for debt service	\$ <u>168</u>	\$ <u>0</u>	\$ <u>168</u>
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The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - DEBT SERVICE FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2004

	Water Supply System Bonds	Sewage Disposal System Bonds	Total
Revenues - contractual payments from City of Ironwood	\$ 34,610	\$ 59,937	\$ 94,547
Expenditures:			
Debt Service:			
Principal retirement	\$ 20,000	\$ 35,000	\$ 55,000
Interest	14,298	24,937	39,235
Fiscal charges	<u>156</u>	<u> </u>	<u>156</u>
	<u>\$ 34,454</u>	<u>\$ 59,937</u>	<u>\$ 94,391</u>
Excess of Revenues Over Expenditures	\$ 156	\$ 0	\$ 156
Fund balance at January 1, 2004	<u>12</u>	<u>0</u>	<u>12</u>
FUND BALANCE AT DECEMBER 31, 2004	<u>\$ 168</u>	<u>\$ 0</u>	<u>\$ 168</u>

The accompanying notes are an integral part of the
financial statements.

COMBINING STATEMENT OF NET ASSETS - ENTERPRISE FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2004

	Major Funds				Nonmajor Funds				Totals
	Medical Care Facility	Operating	Airport Improvement Capital	Total Major Funds	Forestry and Parks Commission	Fair Board	Gogebic County Transit	Total Nonmajor Funds	
ASSETS									
Current Assets:									
Cash (overdraft)	\$ 228,252	\$ (10,304)	\$ 100,550	\$ 318,498	\$ 131,805	\$ 23,459	\$ 192,460	\$ 347,724	\$ 666,222
Temporary investments					100,000		53,316	153,316	153,316
Patient accounts receivable	553,413			553,413					553,413
Less allowances	(10,000)			(10,000)					(10,000)
Other accounts receivable		22,869		22,869					22,869
Property taxes receivable							1,583	1,583	1,583
Grants receivable							3,136	3,136	3,136
Due from other funds						321		321	321
Inventories	36,170			36,170					36,170
Prepaid expenses	<u>103,340</u>			<u>103,340</u>			<u>3,821</u>	<u>3,821</u>	<u>107,161</u>
Total Current Assets	\$ 911,175	\$ 12,565	\$ 100,550	\$ 1,024,290	\$ 231,805	\$ 23,780	\$ 254,316	\$ 509,901	\$ 1,534,191
Noncurrent Assets:									
Land, Buildings and Equipment:									
Land, buildings and equipment	\$ 3,997,147	\$ 8,526,193	\$ 1,028,808	\$ 13,552,148	\$ 633,400	\$ 798,044	\$ 1,083,581	\$ 2,515,025	\$ 16,067,173
Less allowances for depreciation	<u>(2,317,458)</u>	<u>(6,807,462)</u>	<u>(147,764)</u>	<u>(9,272,684)</u>	<u>(121,321)</u>	<u>(125,941)</u>	<u>(542,211)</u>	<u>(789,473)</u>	<u>(10,062,157)</u>
Construction in progress	\$ 1,679,689	\$ 1,718,731	\$ 881,044	\$ 4,279,464	\$ 512,079	\$ 672,103	\$ 541,370	\$ 1,725,552	\$ 6,005,016
			<u>111,546</u>	<u>111,546</u>					<u>111,546</u>
	\$ 1,679,689	\$ 1,718,731	\$ 992,590	\$ 4,391,010	\$ 512,079	\$ 672,103	\$ 541,370	\$ 1,725,552	\$ 6,116,562
Other Assets :									
Cash reserved for:									
Funded depreciation	\$ 206,390		\$ 206,390					\$	\$ 206,390
Capital projects - restricted	24,414		24,414						24,414
Other restricted	<u>3,318</u>		<u>3,318</u>						<u>3,318</u>
	\$ 234,122		\$ 234,122					\$	\$ 234,122
	\$ 2,824,986	\$ 1,731,296	\$ 1,093,140	\$ 5,649,422	\$ 743,884	\$ 695,883	\$ 795,686	\$ 2,235,453	\$ 7,884,875

COMBINING STATEMENT OF NET ASSETS - ENTERPRISE FUNDS (CONTINUED)

	Major Funds				Nonmajor Funds			
	Medical Care Facility	Operating	Capital Improvement	Total Major Funds	Forestry and Parks Commission	Fair Board	Gogebic County Transit	Total Nonmajor Funds
Liabilities:								
Current liabilities:								
Accounts payable	\$ 119,448	\$ 10,303	\$ 21,930	\$ 151,681	\$ 2,517		\$ 15,372	\$ 17,889
Salaries and wages and related liabilities	152,271			152,271	27		6,612	6,639
Current portion of note payable			14,962	14,962				14,962
Total Current Liabilities	\$ 271,719	\$ 10,303	\$ 36,892	\$ 318,914	\$ 2,544	\$ 0	\$ 21,984	\$ 24,528
Non-current liabilities:								
Note payable to bank,								
net of current portion								
Accrued sick and vacation pay	\$ 349,751	\$ 17,480		367,231	\$ 27,768		\$ 14,632	\$ 42,400
Total Long-term Liabilities	\$ 349,751	\$ 17,480		414,433	\$ 27,768	\$ 0	\$ 14,632	\$ 42,400
Total Liabilities	\$ 621,470	\$ 27,783	\$ 84,094	\$ 733,347	\$ 30,312	\$ 0	\$ 36,616	\$ 66,928
NET ASSETS								
Net Assets:								
Invested in capital assets,								
net of related debt	\$ 1,679,689	\$ 1,718,731	\$ 930,426	\$ 4,328,846	\$ 512,079	\$ 672,103	\$ 541,370	\$ 1,725,552
Restricted	27,732			27,732	25,000		3,316	28,316
Unrestricted (deficit)	496,095	(15,218)	78,620	559,497	176,493	23,780	214,384	414,657
Total Net Assets	\$ 2,203,516	\$ 1,703,513	\$ 1,009,046	\$ 4,916,075	\$ 713,572	\$ 695,883	\$ 759,070	\$ 2,168,525
								\$ 7,084,600

Note: The date of the balance sheet of Gogebic County Transit is September 30, 2004.

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - ENTERPRISE FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2004

	Major Funds			Nonmajor Funds			
	Medical Care Facility	Operating	Airport Capital Improvement	Total Major Funds	Forestry and Parks Commission	Fair Board	Gogebic County Transit
Operating revenues - sales and charges for services, net	\$ 7,170,310	\$ 239,719		\$ 7,410,029	\$ 422,670	\$ 124,423	\$ 45,064
Other operating revenues	<u>206,809</u>	<u>51,241</u>	<u>7,500</u>	<u>265,550</u>	<u>5,173</u>		<u>5,173</u>
	\$ 7,377,119	\$ 290,960	\$ 7,500	\$ 7,675,579	\$ 427,843	\$ 124,423	\$ 45,064
Operating expenses:							
Salaries, fees and fringe benefits	\$ 5,763,788	\$ 276,195		\$ 6,039,983	\$ 215,845	\$ 20,769	\$ 290,997
Services, materials and other operating expenses	1,203,434	193,123	19,301	1,415,858	82,939	158,866	95,424
Depreciation provisions	228,623	182,005	30,583	441,211	28,948	13,806	118,549
Interest	<u>5,094</u>		<u>2,662</u>	<u>7,756</u>			
	\$ 7,200,939	\$ 651,323	\$ 52,546	\$ 7,904,808	\$ 327,732	\$ 193,441	\$ 504,970
Operating Income (Loss)	\$ 176,180	\$ (360,363)	\$ (45,046)	\$ (229,229)	\$ 100,111	\$ (69,018)	\$ (459,906)
Nonoperating revenues (expenses):							
Property taxes							\$ 123,357
Federal grants		\$ 12,708		\$ 12,708		\$ 49,505	38,752
State grants							164,979
Interest					\$ 2,644		<u>2,644</u>
	\$ 0	\$ 12,708	\$ 0	\$ 12,708	\$ 2,644	\$ 49,505	\$ 327,088
							\$ 379,237
Income (Loss) Before Operating Transfers and Capital Contributions	\$ 176,180	\$ (347,655)	\$ (45,046)	\$ (216,521)	\$ 102,755	\$ (19,513)	\$ (49,576)
Operating transfers from (to) - other funds							
Capital contributions		162,384	(50,500)	111,884	(119,736)	3,000	(116,736)
			<u>610,447</u>	<u>610,447</u>			<u>56,312</u>
							666,759
Increase (Decrease) in Net Assets	\$ 176,180	\$ (185,271)	\$ 514,901	\$ 505,810	\$ (16,981)	\$ (16,513)	\$ (76,506)
Net assets at January 1, 2004	<u>2,027,336</u>	<u>1,888,784</u>	<u>494,145</u>	<u>4,410,265</u>	<u>730,553</u>	<u>712,396</u>	<u>835,576</u>
							2,278,525
							6,688,790
NET ASSETS AT DECEMBER 31, 2004	\$ 2,203,516	\$ 1,703,513	\$ 1,009,046	\$ 4,916,075	\$ 713,572	\$ 695,883	\$ 759,070
							\$ 2,168,525
							\$ 7,084,600

Note: The fiscal year of Gogebic County Transit presented above is the period from October 1, 2003 to September 30, 2004.

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2004

	Major Funds			Nonmajor Funds				
	Medical Care Facility	Operating	Airport Improvement Capital	Total Major Funds	Forestry and Parks Commission	Fair Board	Gogebic County Transit	Total Nonmajor Funds
Cash flows from operating activities:								
Cash received from customers	\$ 7,402,894	\$ 235,319		\$ 7,638,213	\$ 427,843	\$ 124,423	\$ 46,519	\$ 598,785
Cash received from local unit		51,241	\$ 7,500	58,741				
Cash paid to employees	(5,802,641)	(285,931)		(6,088,572)	(220,008)	(20,769)	(290,997)	(531,774)
Cash paid to suppliers	(1,426,030)	(205,894)	(15,429)	(1,647,353)	(82,333)	(158,866)	(86,948)	(328,147)
								(1,975,500)
Net Cash Provided by								
(Used in) Operating Activities	\$ 174,223	\$ (205,265)	\$ (7,929)	\$ (38,971)	\$ 125,502	\$ (55,212)	\$ (331,426)	\$ (261,136)
Cash flows from capital and related financing activities:								
Acquisition of land, buildings and equipment	\$ (49,342)		\$ (15,000)	\$ (64,342)	\$ (62,757)	\$ (16,347)	\$ (56,312)	\$ (135,416)
Proceeds from sale of assets							3,812	3,812
Principal paid on long-term debt			(14,377)	(14,377)				(14,377)
Interest paid	(5,094)		(2,662)	(7,756)				(7,756)
Capital grant received							56,312	56,312
Net Cash (Used in) Capital and Related Financing Activities	\$ (54,436)	\$ 0	\$ (32,039)	\$ (86,475)	\$ (62,757)	\$ (16,347)	\$ 3,812	\$ (75,292)
Cash flows from noncapital financing activities:								
Operating transfers in (to) other funds		\$ 162,384	\$ (50,500)	\$ 111,884	\$ (119,736)	\$ 3,000		\$ (116,736)
Collection of borrowings to other funds						3,225		3,225
State and federal grants		12,708		12,708		49,505	\$ 205,699	255,204
Property tax collections							119,308	119,308
Net Cash Provided by (Used in)								
Noncapital Financing Activities	\$ 0	\$ 175,092	\$ (50,500)	\$ 124,592	\$ (119,736)	\$ 55,730	\$ 325,007	\$ 261,001
Cash flows from investing activities -								
Purchase of certificates of deposit							\$ (53,316)	\$ (53,316)
Interest earned					\$ 2,644		848	3,492
Net Cash Provided by (Used in) Financing Activities	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,644	\$ 0	\$ (52,468)	\$ (49,824)
Net Increase (Decrease) in Cash and Temporary Investments	\$ 119,787	\$ (30,173)	\$ (90,468)	\$ (854)	\$ (54,347)	\$ (15,829)	\$ (55,075)	\$ (125,251)
Cash and temporary investments at January 1, 2004	342,587	19,869	191,018	553,474	286,152	39,288	247,535	572,975
								1,126,449
CASH AND TEMPORARY INVESTMENTS AT DECEMBER 31, 2004	\$ 462,374	\$ (10,304)	\$ 100,550	\$ 552,620	\$ 231,805	\$ 23,459	\$ 192,460	\$ 447,724
								1,000,344

COMBINING STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS (CONTINUED)

	Major Funds			Nonmajor Funds			
	Medical Care Facility	Operating	Airport Capital Improvement	Total Major Funds	Forestry and Parks Commission	Fair Board	Gogebic County Transit
							Totals
Cash flows from operating activities:							
Operating income (loss)	\$ 176,180	\$ (360,363)	\$ (45,046)	\$ (229,229)	\$ 100,111	\$ (69,018)	\$ (428,813)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							\$ (658,042)
Depreciation	\$ 228,623	\$ 182,005	\$ 30,583	\$ 441,211	\$ 28,948	\$ 13,806	\$ 118,549
Interest expense	5,094		2,662	7,756			
(Increase) decrease in current assets:							\$ 602,514
Accounts receivable	25,775	(4,400)	3,872	25,247			1,455
Inventories	15,864			15,864			15,864
Prepaid expenses	(61,374)			(61,374)			(61,374)
Increase (decrease) in current liabilities:							
Accounts payable and due to other funds	(177,086)	(12,771)		(189,857)	(606)		8,538
Accrued liabilities	(38,853)	(9,736)		(48,589)	(2,951)		(62)
Total adjustments	\$ (1,957)	\$ 155,098	\$ 37,117	\$ 190,258	\$ 25,391	\$ 13,806	\$ 128,480
Net Cash Provided by (Used in) Operating Activities	\$ 174,223	\$ (205,265)	\$ (7,929)	\$ (38,971)	\$ 125,502	\$ (55,212)	\$ (331,426)
							\$ (300,107)

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash payments for interest	\$ 5,094	\$ 2,662	\$ 7,756
Noncash capital and related financing activities:			
Construction project financed by grant awards administered by State of Michigan	\$ 610,447	\$ 610,447	\$ 610,447
Construction project financed by accounts payable	\$ 21,930	\$ 21,930	\$ 21,930

Note: The fiscal year of Gogebic County Transit presented above is the period from October 1, 2003 to September 30, 2004.

COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2004

		Delinquent Tax Revolving Fund								
		Number								
		1	2	3	4	Total				
ASSETS										
Current assets:										
Cash	\$	744,104		\$	1,072,914	\$	599,865	\$	2,416,883	
Delinquent taxes receivable					91,766		468,480		560,246	
	\$	<u>744,104</u>	\$	<u>0</u>	\$	<u>1,164,680</u>	\$	<u>1,068,345</u>	\$	<u>2,977,129</u>
NET ASSETS										
Net assets	\$	<u>744,104</u>	\$	<u>0</u>	\$	<u>1,164,680</u>	\$	<u>1,068,345</u>	\$	<u>2,977,129</u>

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - INTERNAL SERVICE FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2004

	Delinquent Tax Revolving Fund				
	Number				Total
	1	2	3	4	
Revenues:					
Taxes:					
Penalties and interest on taxes	\$ 21,049	\$ 30,827	\$ 84,066	\$ 61,555	\$ 197,497
Other	<u>1,190</u>	<u>2,505</u>	<u>12,000</u>	<u>3,493</u>	<u>19,188</u>
	\$ 22,239	\$ 33,332	\$ 96,066	\$ 65,048	\$ 216,685
Operating expenses - administrative expenses	<u>8,935</u>				<u>8,935</u>
	\$ 13,304	\$ 33,332	\$ 96,066	\$ 65,048	\$ 207,750
Interest and dividends earned	6,857	3,407	8,256	3,297	21,817
Transfer in (out)	<u>(156,843)</u>	<u>(1,210,055)</u>		<u>1,000,000</u>	<u>(366,898)</u>
	\$ (136,682)	\$ (1,173,316)	\$ 104,322	\$ 1,068,345	\$ (137,331)
Net assets at January 1, 2004	<u>880,786</u>	<u>1,173,316</u>	<u>1,060,358</u>		<u>3,114,460</u>
	\$ 744,104	\$ 0	\$ 1,164,680	\$ 1,068,345	\$ 2,977,129
NET ASSETS AT DECEMBER 31, 2004					

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2004

	Delinquent Tax Revolving Fund			
	Number			
	1	2	3	4
	Total			
Cash flows from operating activities:				
Property tax collections	\$ 114,918	\$ 90,966	\$ 404,661	\$ 735,396
Other revenues	22,239	33,332	96,066	65,048
Cash paid to local units				216,685
Cash paid to suppliers	(8,935)			(1,203,876)
				(8,935)
Cash flows from noncapital financing activities -				
Advances from (to) other funds				
Cash flows from investing activities -				
Interest and dividends earned				
Net Cash Provided by				
(Used in) Operating Activities	\$ 128,222	\$ 124,298	\$ 500,727	\$ (403,432)
				\$ 349,815
Cash flows from noncapital financing activities -				
Advances from (to) other funds	(156,843)	(1,210,055)		1,000,000
Cash flows from investing activities -				(366,898)
Interest and dividends earned	6,857	3,407	8,256	3,297
				21,817
Net Increase (Decrease) in				
Cash and Temporary Investments	\$ (21,764)	\$ (1,082,350)	\$ 508,983	\$ 599,865
	765,868	1,082,350	563,931	2,412,149
Cash and temporary investments at January 1, 2004	\$ 744,104	\$ 0	\$ 1,072,914	\$ 599,865
				\$ 2,416,883
CASH AND TEMPORARY				
INVESTMENTS AT DECEMBER 31, 2004				
Cash flows from operating activities:				
Operating income	\$ 13,304	\$ 33,332	\$ 96,066	\$ 65,048
Adjustments to reconcile operating income to net cash				\$ 207,750
provided by (used in) operating activities -				
(Increase) decrease in delinquent taxes receivable	114,918	90,966	404,661	(468,480)
				142,065
Net Cash Provided by				
(Used in) Operating Activities	\$ 128,222	\$ 124,298	\$ 500,727	\$ (403,432)
				\$ 349,815

The accompanying notes are an integral part of the financial statements.

COMBINING BALANCE SHEET - AGENCY FUNDS

GOGEBIC COUNTY, MICHIGAN

December 31, 2004

	Agency Funds		
	Library Penal Fine Fund	Trust and Agency Fund	Total
ASSETS			
Temporary investments	\$ 78,047	\$ 940,474	\$ 1,018,521
LIABILITIES			
Due State of Michigan		\$ 28,604	\$ 28,604
Due (from) to other funds	\$ 5,000	(2,645)	2,355
Undistributed receipts	73,047	358,310	431,357
Undistributed tax collections		556,205	556,205
	\$ 78,047	\$ 940,474	\$ 1,018,521

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF CHANGES IN
GOGEBIC COUNTY,

Year ended

	Library Penal Fine Fund			
	Balance at January 1, 2004	Additions	Deductions	Balance at December 31, 2004
ASSETS				
Temporary investments	<u>\$ 56,062</u>	<u>\$ 148,486</u>	<u>\$ 126,501</u>	<u>\$ 78,047</u>
LIABILITIES				
Due State of Michigan				
Due (from) to other funds	\$ 2,500	\$ 2,500		\$ 5,000
Undistributed receipts	53,562	145,986	\$ 126,501	73,047
Undistributed tax collections				
	<u>\$ 56,062</u>	<u>\$ 148,486</u>	<u>\$ 126,501</u>	<u>\$ 78,047</u>

NOTE: Detail of additions and deductions of Trust and Agency Fund liabilities is not available.

The accompanying notes are an integral part of the financial statements.

ASSETS AND LIABILITIES - AGENCY FUNDS

MICHIGAN

December 31, 2004

Trust and Agency Fund			
Balance at January 1, 2004	Additions	Deductions	Balance at December 31, 2004
<u>\$ 1,293,144</u>	<u>\$ 10,007,487</u>	<u>\$ 10,360,157</u>	<u>\$ 940,474</u>
\$ 30,195 }			\$ 28,604
3,556 }	\$ 10,007,487	\$ 10,360,157	(2,645)
356,182 }			358,310
<u>903,211 }</u>	<u> </u>	<u> </u>	<u>556,205</u>
<u>\$ 1,293,144</u>	<u>\$ 10,007,487</u>	<u>\$ 10,360,157</u>	<u>\$ 940,474</u>

STATEMENT OF PLAN NET ASSETS - PENSION TRUST FUND

GOGEBIC COUNTY, MICHIGAN

December 31, 2004

ASSETS

Investments, at fair value:

Money market funds	\$ 6,901,897	
U.S. Treasury and agency obligations	7,663,690	
Domestic corporate bonds	1,849,764	
International bonds	149,415	
Equity mutual funds	2,429,849	
Domestic stocks	11,616,056	
Foreign equities	<u>1,223,282</u>	\$ 31,833,953

Accrued interest receivable

103,538

Accounts receivable

11,102\$ 31,948,593

NET ASSETS

Net assets held in trust for pension benefits

\$ 31,948,593

The accompanying notes are an integral part of the
financial statements.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2004

Federal Grantor/ Pass-through Grantor/ Program Title	Federal Catalog of Domestic Assistance Number	Federal Expenditures
PRIMARY GOVERNMENT		
<u>U.S. Department of Housing and Urban Development</u>		
Passed through State of Michigan Department of Housing Development		
Community Development Block Grant - MSC 2002-0738-HOA	14.228	\$ 47,763
Community Development Block Grant - MSC 2003-0738-HOA	14.228	28,396
Total U.S. Department of Housing and Urban Development		\$ 76,159
<u>U.S. Department of Transportation</u>		
Passed through State of Michigan Department of Transportation:		
Airport Improvement Program - B-26-0050-0903	20.106	\$ 495,526
Section 18 (5311) Capital 2002-0039/Z4	20.507	44,214
Section 18 (5311) Capital 2001-0909	20.507	835
Section 18 Operating Assistance 2002-0039/Z5/R3	20.509	38,486
Section 18 Operating Assistance 2002-0039/Z2	20.509	266
Total U.S. Department of Transportation		\$ 579,327
<u>U.S. Department of Health and Human Services</u>		
Passed through State of Michigan Department of Social Services - Prosecuting Attorney Legal Support Contract	93.563	34,372
<u>Other Federal Assistance</u>		
Direct Program - Department of the Interior - payment in lieu of taxes	15.226	\$ 299,587
Passed through State of Michigan - Department of State Police:		
Federal Emergency Planning	83.562	255
Federal Emergency Management Performance	97.042	7,659
2002 State Domestic Preparedness	97.004	683
2002 FEMA Supplemental Planning	97.051	13,024
2003 State Homeland Security	97.004	520
2003 State Homeland Security Part II	97.004	7,744
2003 State Homeland Training	97.004	1,639
2004 Homeland Security	97.004	60,682
2004 Law Enforcement Terrorism	97.004	25,212
Passed through Western U.P. Manpower Consortium - wage reimbursement	17.250	1,800
Total Other Federal Assistance		\$ 418,805
Total Primary Government Expenditures of Federal Awards		\$ 1,108,663

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Federal Grantor/ Pass-through Grantor/ Program Title	Federal Catalog of Domestic Assistance Number	Federal Expenditures
COMPONENT UNITS		
<u>U.S. Department of Transportation</u>		
Administered by State of Michigan Department of Transportation - Federal "D" Funds - Project Number - 80128A	20.205	\$ 97,055
Passed through State of Michigan Department of Transportation:		
Emergency Relief Funds - Project Number 73505A	20.205	109,829
Critical Bridge Funds - Project Number 56503A	20.205	152
Surface Transportation Program - Project Number :	20.205	
80128A		7,279
80130A		74,380
80129A		74,446
80126A		<u>74,720</u>
Total U.S. Department of Transportation		\$ 437,861
<u>U.S. Department of Health and Human Services</u>		
Passed through State of Michigan Department of Community Mental Health:		
MRS Grant	84.126	\$ 14,660
Strong Families/Safe Children	93.556	18,106
OBRA	93.778	20,540
Respite Mental Health	93.958	1,876
Substance Abuse/Co-Occurring	93.959	<u>816</u>
Total U.S. Department of Health and Human Services		\$ <u>55,998</u>
<u>Other Federal Assistance</u>		
Passed through State of Michigan - Title XX replacement funds	93.unknown	\$ 350
Passed through State of Michigan - Department of State Police - Federal Emergency Assistance - FEMA-1413-DR-MI-053-0C7FF	83.544	<u>97,269</u>
Total Other Federal Assistance		\$ <u>97,619</u>
Total Component Units Expenditures of Federal Awards		\$ <u>591,478</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ <u><u>1,700,141</u></u>

NOTE: The State of Michigan Department of Transportation, as an agent of the Federal Highway Administration, is responsible for controlling the receipts and disbursements related to the funds for the above component unit projects.

The accompanying notes are an integral part of this schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2004

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Gogebic County, Michigan, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

2. Loans Outstanding - Gogebic County, Michigan, had no loan balances outstanding at December 31, 2004.

3. Subrecipients

Of the federal expenditures presented in the schedule, Gogebic County, Michigan, provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant	14.239	\$76,159

4. The U.S. Department of Transportation Programs, Federal C.F.D.A. Numbers 20.205 and 20.106 are considered Type A programs and all other programs are considered Type B programs. The Type A programs were selected as major programs using the risk-based audit approach.

5. Component Unit Excluded from Schedule of Expenditures of Federal Awards

Western Upper Peninsula Manpower Consortium, a component unit of Gogebic County, Michigan, contracted to have its own Single Audit for its year ended June 30, 2004. Accordingly, the Schedule of Expenditures of Federal Awards excludes any information pertaining to Western Upper Peninsula Manpower Consortium. A copy of the Consortium's Schedule of Expenditures of Federal Awards can be obtained at their offices at 100 West Cloverland Drive, Ironwood, Michigan 49938.

SCHEDULE OF AIRPORT PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2004

Passenger facility charges collected	\$ 7,861
Passenger facility charges expended - annual loan payment	<u>7,861</u>
Excess of passenger facility charges collected over passenger facility charges expended	<u>\$ 0</u>

SUPPLEMENTAL
REPORTS

JOKI, MAKELA & POLLACK, P.L.L.C.

**CERTIFIED PUBLIC ACCOUNTANTS
301 N. SUFFOLK STREET
IRONWOOD, MICHIGAN 49938-2027**

**T. J. MAKELA, C.P.A.
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MEMBERS**

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Commissioners
Gogebic County, Michigan
Bessemer, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Gogebic County, Michigan, as of and for the year ended December 31, 2004, which collectively comprise Gogebic County, Michigan's basic financial statements and have issued our report thereon dated June 17, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gogebic County, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted one matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Gogebic County, Michigan's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2004-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting

for component units Community Mental Health Authority and Western U.P. Manpower Consortium, which we have reported to management in separate letters dated January 28, 2005 and December 22, 2004, respectively.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gogebic County, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Joki, Makela & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
June 17, 2005

JOKI, MAKELA & POLLACK, P.L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Commissioners
Gogebic County, Michigan
Bessemer, Michigan

Compliance

We have audited the compliance of Gogebic County, Michigan, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. Gogebic County, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of Gogebic County, Michigan's management. Our responsibility is to express an opinion on Gogebic County, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Gogebic County, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Gogebic County, Michigan's compliance with those requirements.

In our opinion, Gogebic County, Michigan, complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of Gogebic County, Michigan, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Gogebic County,

Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Joki, Makela & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
June 17, 2005

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2004

SECTION I - SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Gogebic County, Michigan.
2. There was one reportable condition disclosed during the audit of the financial statements to be reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Audit Standards*.
3. No instances of noncompliance material to the financial statements of Gogebic County, Michigan, were disclosed during the audit.
4. There were no reportable conditions disclosed during the audit of the major federal award programs to be reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Gogebic County, Michigan, expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for Gogebic County, Michigan, to be reported in Section III of this schedule.
7. The programs tested as major programs are the U.S. Department of Transportation Programs under C.F.D.A. Numbers 20.205 and 20.106.
8. The threshold for distinguishing Types A and B programs was \$300,000. There are two programs which are considered to be Type A and the other programs are considered to be Type B.
9. Gogebic County, Michigan, was determined to be a low-risk auditee.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

SECTION II - FINANCIAL STATEMENT FINDINGS

REPORTABLE CONDITION

2004-1 Public Act 621 of 1978 Disclosure

Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. In the body of the financial statements, the County's actual expenditures and budget have been shown on a functional basis. The approved budgets for the County for these budgetary funds were also adopted on the functional level.

During the year ended December 31, 2004, the County incurred expenditures in certain of its budgetary activities, which were in excess of the amounts budgeted as follows:

<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	(Unfavorable) <u>Variance</u>
Special Revenue Funds -			
Capital outlay	\$ 0	\$ 70,112	\$ (70,112)

We recommend that the Board of Commissioners amend its budget prior to year-end to avoid expenditures in excess of budget.

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

There were no findings or questioned costs disclosed during the audit of the major federal award program.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

GOGEBIC COUNTY, MICHIGAN

Year ended December 31, 2004

There were no findings or questioned costs during the prior year major federal award program audit.